ATTACHMENT 1

ATTACHMENT (1)

Joseph F. Keenan [redacted]

[redacted] [redacted]

Objective: High-visibility leadership role with an industry leading financial services firm offering a unique opportunity for personal and professional growth.

Education:

New York University - Stern School of Business — **New York, N.Y.**
Master of Business Administration - Finance — *September, 1995*

University of Michigan — **Ann Arbor, MI.**
Bachelor of Arts - English Literature and Communication — *May, 1985*

American School in London — **London, England**
Diploma — *June, 1981*

Experience:

BNY Mellon Asset Servicing, Managing Director — **New York, N.Y.**
President - BNY Mellon Trust Company of Illinois — *6/07 to present*
Head of Global Exchange Traded Fund Services and Other Key Segments

Business owner for several Global Financial Institution segments within BNY Mellon Asset Servicing including North American Banks, Third Party Asset Managers, Large Fund Custody Relationships, Closed-End Funds, Unit Investment Trusts and the Company's fastest growing business – Exchange Traded Fund (ETF) Services. Front-office responsibilities include budget oversight for more than $650 million in total revenue, quarterly direction of Trust Company Board meetings, mentoring of five dedicated relationship management and client service, retentive sales and support teams, management of all targeted calling and cross-selling efforts, branding and related advertising initiatives, coordination of internal product and operations units to ensure total client satisfaction. Global ETF Services has become the industry's leading provider of services, with total revenues growing more than 45% in 2010.

The Bank of New York, Managing Director — **New York, N.Y.**
Head of Sales - Investor Services — *5/06 to 6/07*

Prior to the merger in July, 2007, led all custody and related services sales efforts to Plans Sponsors and Financial Institutions. Experienced closer adept at the creation of compelling sales presentations, public speaking and contract negotiation. Built out industry leading sales team and exceeded new business targets every quarter.

Head of Sales - Global Fund Services — *5/04 to 5/06*

Global Head of Product - Exchange Traded Funds — *5/99 to 5/04*

Acted as global product manager for the industry's fastest growing ETF services business - directly responsible for securing a 50% market share and more than $100 million in total revenue including: QQQQ, MidCap SPDR, PowerShares, WisdomTree and SPDRS Europe. As industry spokesperson for this rapidly evolving marketplace continue to enjoy significant media exposure including quotations appearing in Wall Street Journal, Business 2.0, Financial Times, New York Times, and other leading publications.

Senior Salesperson - Mutual Fund Services — *1/98 to 5/99*

BNY Western Trust Company, Vice President | **San Francisco, CA.**
Branch and Business Unit Manager | *12/95 to 1/98*

Relocated to West Coast to establish Bank's San Francisco mutual fund servicing unit. Solidified company presence in California as active Board Member of National Investment Company West Coast Committee, and developed significant new business opportunities with Schwab, Wells Fargo, and Trust Company of the West.

The Bank of New York, Vice President | **New York, N.Y.**
Relationship Manager - Mutual Funds Division | *12/89 to 12/95*

Managed all aspects of client relationship and ensured overall satisfaction with service delivery during tenure as Relationship Manager for Bank's most important institutional accounts including: Fidelity Investments, PIMCO, Franklin Templeton, Salomon Brothers and AIM Management. Recognized as product specialist responsible for more than $150 billion in new business appointments. Promoted from staff assistant to Vice President in less than four years.

Senior Client Administrator | *2/86 to 11/89*
Monitored daily trading and settlement activity for a wide variety of Registered Investment Companies, including foreign exchange conversions and global settlements throughout the Bank's worldwide sub-custodian network.

Client Services Representative - UIT Division | *8/85 to 2/86*
Addressed client inquiries regarding their Unit Investment Trust investments, including telephone inquiries, certificate replacement and redemption, and abandoned property reporting.

References: Available upon request.

Biography

Joe has twenty five years of experience in the financial services industry. Prior to the merger of The Bank of New Company, Inc. and Mellon Financial Corporation, he joined The Bank of New York in 1985 in a customer service capacity supporting our mutual fund and unit investment trust company clients. He later served as the Bank's Business Manager for Mutual Fund Services on the West Coast and in 1998, Joe returned to the Wall Street headquarters to spearhead sales and marketing efforts for Mutual Fund Services.

In early 2000, he was named Global Product Manager of Exchange Traded Products at the Bank, responsible for all sales and marketing of the Bank's specialized services to meet the needs of the rapidly expanding Exchange Traded Fund marketplace. Joe has been interviewed by leading financial publications and websites including: The Wall Street Journal, Financial Times, The New York Times, American Banker, Pensions and Investments, Global Finance, Business 2.0, Forbes.com, IndexFunds.com, and Morningstar.com.

In January of 2004, his responsibilities were expanded to include all product sales and marketing efforts for the Bank's Global Fund Services unit. Prior to our recent merger his responsibilities were further expanded in 2006 to include oversight of dedicated product sales teams focused on the delivery of the Bank's custody products and related services to Financial Institutions and Plan Sponsors in the U.S. as the head of sales for our investor services business. Joe was named as one of the five most influential people in ETFs today by Institutional Investor News in July, 2008.

Joe has a Bachelors degree in English Literature and Communication from the University of Michigan, and an MBA in Finance from New York University's Stern School of Business. His international living experiences include Bergen, Norway; London, England; and Halifax, Nova Scotia. Joe, his wife Jodi and their son currently reside in Summit, New Jersey.

ATTACHMENT 2

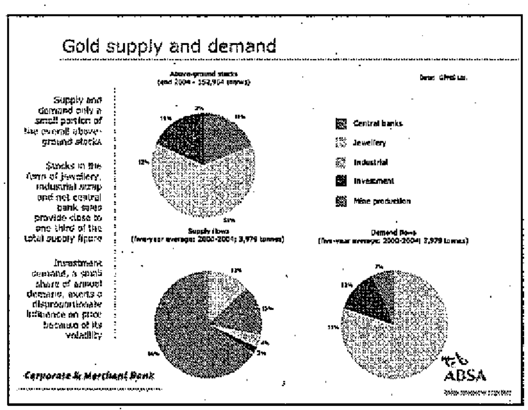
The Impact of ETFs on the Gold Market

Vladimir Nedeljkovic

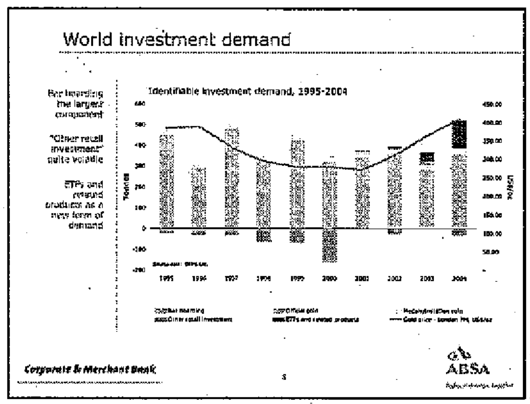
Structured Products, Capital and Debt Markets
Absa Corporate and Merchant Bank

Good morning ladies and gentlemen. The title says it all. I am here today to give you a couple of thoughts on a new trend in the gold investment, the gold-linked exchange rated funds, or ETFs, and their current and potential impact on the gold market. I will first set the scene and show you some well-known facts about gold demand, then zoom in onto the gold investments and zoom in again on the gold ETFs. I will specifically concentrate on the market penetration of the gold ETFs by looking at them in the context of the worldwide investment market. Finally, I will talk about the potential for growth for these products.

You have basically seen the gold supply and demand graph multiple times. Above ground stocks are approximately 150,000 tonnes, and I will come back to that number later. Supply and demand flow is about 4,000 tonnes per annum. On the demand side, the investment is about 13% of the total; to compare, 69% of the demand is in jewellery.



If we go into gold investment, most of it is in gold bars and coins, as well as other retail investment. Securitised gold in the form of gold-linked ETFs is a relatively new development, and this is the one that we will be concentrating on today.



If we look at year-on-year demand for the investments, we see that it more or less bound in the range of 300-500 tonnes. We've seen, of course, some growth in the recent years, and I would like to attribute some of it to the advent of the gold-linked exchange-traded funds. Interestingly enough, in the survey we took yesterday, 62% of the participants said that they believe that investment demand is going to drive the gold price going forward. Still investment demand is only 13% of the overall demand for gold. Why not 50%?

There are obstacles to investing in gold. Gold is traded over the counter, which excludes it from the investment universe of certain classes of investors. It is a physical transaction, so one basically has the issues regarding custody arrangements, insurance, settlement, and so on. It is specifically difficult for the retail investors. They do not really have much choice.

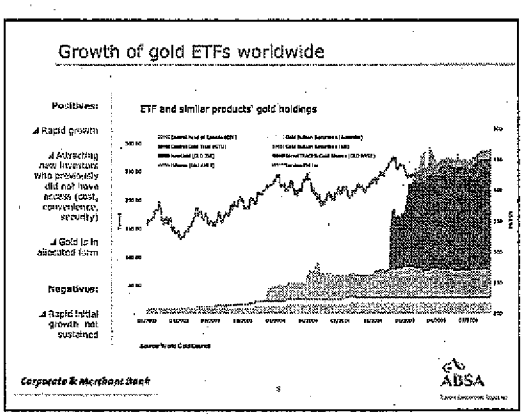
Most people cannot buy big bars, costs are significant, liquidity is low, et cetera. Of course, investors can buy gold coins, but there are issues related to that as well.

One important factor is the regulatory environment. For example, in South Africa gold is considered to be a foreign currency and falls under the Exchange Control regulations. In some countries, pension funds are not allowed to invest in gold.

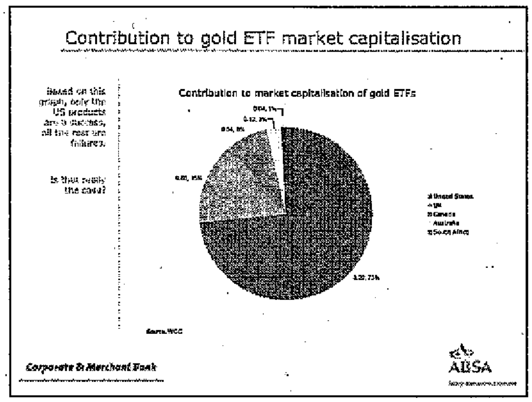
Add to that the relatively lacklustre performance of gold price over a period of years and, as a consequence, we get an asset that is really outside of the institution investors' benchmarks and as such not being followed and researched by them. We market our gold ETF and we talk to a lot of institution investors that invest in gold equities but do not really know about the properties of gold as an asset.

In order to address those issues, we had the advent a couple of years ago of securitised gold in the form of gold ETFs. Gold ETFs, compared to some other structured products, are very simple structures. There is a vehicle that holds gold in a trust, usually fully allocated, so there is no credit risk. On the basis of that, gold securities are issued, listed on an exchange and traded in the same manner as equities.

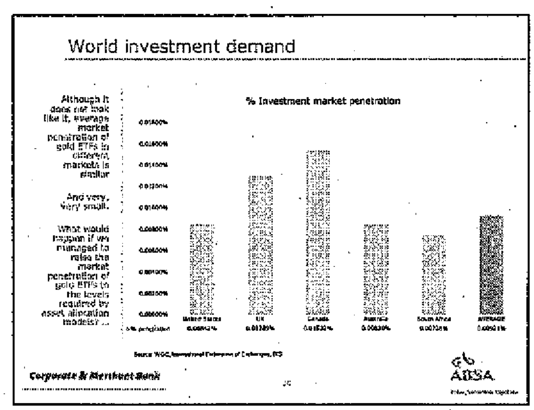
As a consequence, this type of investment is accessible and simple. It is listed on a stock exchange, quoted in local currency, with no minimum investment. It is very secure because the gold is, as I said, held in an allocated form. It is very cost effective. Depending on the investment size, it can be more cost effective to invest in gold through this channel than by actually buying physical gold. Finally, it is very liquid. Because gold ETFs are open-ended, i.e., their size can vary with supply and demand conditions, the liquidity of the securitised gold is exactly the same as the liquidity of the underlying spot market, which is actually quite high.



So we see that there are some good reasons to invest in gold through gold-linked securities. These securities have been around for a few years now, and it is a fair question to ask: have they made any impact? Consider the asset growth of gold ETFs worldwide. You can immediately see some positives and some negatives. The positive is that we have experienced a rapid growth in assets over a relatively short period of time. At the moment, there is about 300 tonnes of gold in all the ETFs worldwide. That is significant by any standard. The one negative is a trend that is similar to all gold ETFs. Initially, there a relatively sharp growth, followed by a plateau. The question that people ask is, is this it? Has the demand already been satisfied?



If you look at the contribution of different countries to market capitalisation, the situation is quite skewed, in that quite a large percentage of the investments in gold ETFs is basically in one country, the United States. Based on this, one could say that one should not really be bothered by any other country, that US gold ETFs are a success story and that the other ETFs are irrelevant and failures. The problem with that kind of reasoning is that it does not take into account the relative sizes of the corresponding markets.

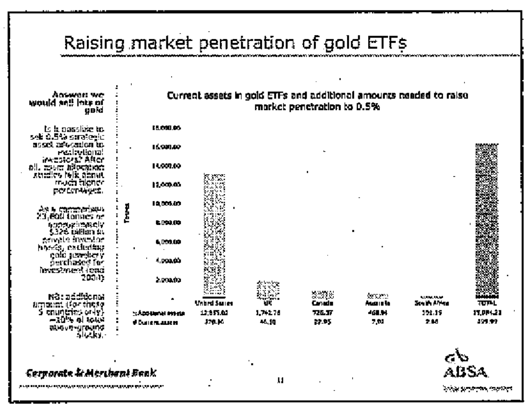


Taking the market size data from the International Federation of exchanges and the BIS, and expressing the assets in the gold ETFs as a percentage of the overall assets, the penetration of the gold ETFs in different markets is quite similar.

Excluding two Canadian close-ended funds, which are not real ETFs, the biggest market penetration is in the UK, followed closely by the US, Australia and South Africa. The worrying thing is that in all markets, penetration of gold ETFs is minuscule. Overall, average penetration is just 0.009%. Even this is an overestimate, because the analysis could not include all the different investment assets available for the lack of relevant data.

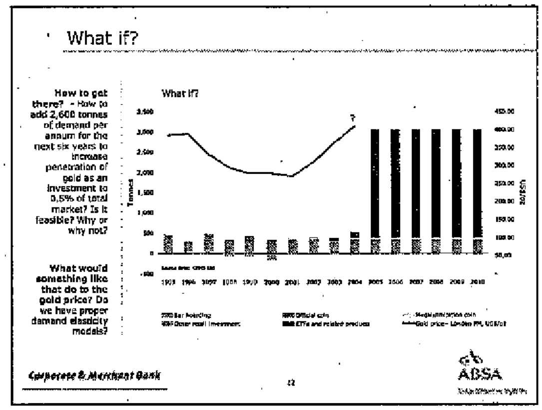
I worked with the World Gold Council on asset allocation studies for different markets, and they show orders of magnitude higher optimal allocations to gold than we have at the moment. Today, we have heard some central bankers discussing optimal allocation to gold in their portfolios of 5-10%. The margin between the current and the desirable is really wide.

So, the potential is here. But how do we quantify it? Let me be very conservative and say, okay, not everybody wants to invest in gold, and so let us say our aim is to try to increase the market penetration, not to 5% but to 0.5%, which is actually quite below what the most optimal asset allocation model tells us to invest. Also remember, I looked at only five countries. I did not look at European countries; I did not look at India; I did not look at China.



What do we get if we increase market penetration to 0.5% in the five markets we are considering? An additional demand of about 16,000 tonnes of gold. Remember, the total above ground stocks of gold are 150,000 tonnes, so we are talking about 10% of the total of above ground stocks. Also, compare it to the total annual demand for gold of some 4,000 tonnes.

We can get a good visual representation of the possible impact if we overlay 2,500 additional tones of demand per annum for the next six years over the current demand figures. The topic of my speech is 'What happens to the gold price?' Well, I ask you: what happens to the gold price? We cannot exactly say what would happen because we do not really have the proper gold demand elasticity models, but judging by this simple graph, I would think the gold price would react quite positively.



Is it possible? I do not know. I do not see why it would not be possible if we take seriously the case for gold. Everybody in this audience talks about the issues such as diversification, currency hedging, inflation protection. If the central banks think it is prudent to hold, say, 10% of their assets in gold why would not other institutions think it is prudent to hold similar amounts or maybe 10 times less of gold in their portfolios?

How do we get there? Currently, according to the Gold Bullion Securities' statistics, the largest investors in gold securities are institutions: mutual funds hold about 26%, individuals 11%, pension funds 2%, which is quite low, assurance holdings 6%, stock lending 7%. In the case of South Africa, for our ETF, we have about 90% - 10% split between the institutions and individuals.

What are the obstacles? I think the first one is lack of knowledge, again because of the fact that institutional exposure to gold, compared to other assets, is quite minor. As a consequence, there are not too many analysts that cover gold, which further makes the job of selling gold or gold securities more difficult. Another obstacle is a perception held by many that gold is a marginal and speculative asset with no real intrinsic value. Finally, there are regulatory obstacles in some jurisdictions to be overcome.

There is a very good investment case for gold, dealing with topics such as diversification, inflation protection, currency hedging. That case needs to be aggressively promoted. Secondly, we need to expand the investor base. We need to go beyond traditional gold bulls (after all, they are already invested in gold in one way or another). We need to reach mainstream equity investors, and position gold as another security with all the characteristics they know and like. Finally, we have countries like India and China that are traditionally very big on gold as an investment, but they currently do it in the form of jewellery.

Is there a potential? That is really a question I would like to know the answer to. Is it possible to sell securitised gold to investors in these countries without cannibalising existing jewellery demand? I suppose that is a well-posed question that can be answered by researching the relevant markets and taking into account relevant demographic and development trends.

To conclude, I believe that the potential of gold ETFs is far from fulfilled and that they can become a significant factor fuelling demand for gold and pushing the price of gold upward. Thank you very much.■

ATTACHMENT 3

ATTACHMENT (3)

Embargo – not for release before February 24th, 0700hrs UK time

GOLD SUPPLY AND DEMAND IN FOURTH QUARTER 2004
World Gold Council briefing note

Key points:

- Consumer (jewellery and net retail investment) demand for gold recorded another strong quarter in Q4, rising 6% above year-earlier levels in tonnage terms and a substantial 18% in dollar terms. For 2004 as a whole demand was 7% higher than 2003 in tonnage terms and 20% in dollar terms.

- Jewellery demand performed well in both Q4 (up 7% in tonnage terms and 19% in dollar terms) and the year as a whole (up 6% and 19%). In most of the price sensitive markets in India, the rest of Asia and the Middle East consumers are now not only comfortable with prices in excess of $400 per ounce but also expect prices to rise further. Thus the sharp price spike in November and early December had much less of a dampening impact on purchases than similar episodes have had in the past.

- For 2004, jewellery demand in tonnage terms was a record in Turkey and Vietnam; in a number of markets, including India, it was also a record in value terms. Nevertheless, in others demand remains below previous peaks. Gold jewellery still faces stiff competition from diamonds, electronics and other luxury consumer goods and services. Continued, increased and consistent promotional spending remains essential.

- Net retail investment was slightly lower in Q4 than a year earlier in tonnage terms (9% higher in dollar terms) but it was 15% higher in 2004 as a whole than in 2003. A major breakthrough was the approval in late December by the China Banking Regulatory Commission for banks to market retail investment products in that country.

- Net institutional investment, which had been negative in Q2 and Q3, turned positive in Q4 with a substantial increase in offtake by Exchange Traded Funds and similar vehicles.

- Total supply to the market, while 5% lower than a year earlier, was much less constrained than in Q3. As expected net central bank selling rose following the start of sales under the second Central Bank Gold Agreement.

Early indications for Q1 and year 2005

Early indications suggest a continuation of strong demand for jewellery in Q1 with strong buying reported in India and Turkey and for the Chinese New Year. Consumers have been taking advantage of what is now seen as the favourable price levels of the first few weeks of the year, with prices depressed by various factors including a somewhat stronger dollar and some speculation over possible IMF sales. For the year as a whole, however, economic conditions are likely to be less favourable to jewellery than 2004 so growth may be less strong than last year. Industrial demand may also suffer from this. In contrast a weaker world economy and concerns over global imbalances and the dollar, along with on-going political worries, should favour investment.

Contents

This briefing note has been written by the World Gold Council based on data provided by GFMS Ltd. For further details see page 13.

WORLD GOLD COUNCIL

gold

OVERALL SUPPLY AND DEMAND

Gold supply and demand (WGC presentation)

Tonnes	2002	2003	2004	*% change 2004 vs 2003*	Q4'03	Q1'04	Q2'04	Q3'04	Q4'04[1]	*% change Q4'04 vs Q4'03*
Supply										
Mine production	2,591	2,592	2,478	*-4.4*	641	573	603	654	649	*1.3*
Net producer hedging	-412	-279	-445	...	-27	-76	-111	-144	-113	...
Total mine supply	2,179	2,313	2,034	*-12.1*	613	497	491	510	536	*-12.6*
Official sector sales[2]	545	617	497	*-19.4*	172	119	79	65	234	*36.5*
Old gold scrap	835	944	829	*-12.2*	240	235	197	192	205	*-14.2*
Total supply	3,560	3,875	3,360	*-13.3*	1,025	851	767	766	976	*-4.8*
Demand										
Fabrication										
Jewellery	2,680	2,522	2,673	*6.0*	634	619	691	672	690	*8.8*
Industrial	291	318	348	*9.3*	82	84	94	86	84	*2.9*
Dental	69	67	68	*1.1*	17	17	17	17	17	*0.5*
Sub-total above fabrication	3,040	2,907	3,088	*6.2*	733	721	802	774	791	*7.9*
Bar & coin retail investment[3]	373	314	396	*26.2*	83	105	106	90	95	*14.6*
Total demand	3,413	3,221	3,484	*8.2*	816	826	908	864	886	*8.6*
Balance[4]	147	653	-124	...	209	25	-141	-98	90	*-56.9*
London PM fix (US$/oz)	309.68	363.32	409.17	*12.6*	391.06	408.44	393.27	401.30	433.80	*10.9%*

Source: GFMS Ltd. This table is consistent with data published by GFMS but adapted to the WGC's presentation.
1. Provisional . 2. Excluding any delta hedging of central bank options. 3. Bar hoarding plus medal, official coin and imitation coin fabrication. 4. This is the residual from combining all of the other data in the table. It includes institutional investment, stock movements and other elements as well as any residual error

Q4 overview: positive demand trends; looser supply constraints

Our expectations for the last quarter of 2004 were largely met. The quarter was mainly positive for demand, particularly for jewellery which continued the robust growth of recent quarters. Industrial demand was higher than a year earlier, although weaker than Q3. Fabrication of coins and bars was 15% higher than a year earlier; on a consumption basis net retail investment in major markets remained strong, albeit slightly below year-earlier levels. Net institutional investment – the main component of the balancing item – turned from negative in Q2 and Q3 to positive in Q4 helped by the launch of the gold ETF on the New York Stock Exchange in November and a similar product on the Johannesburg market in October.

The rise in jewellery demand occurred despite the price spike in November/December. Normally such a spike would have seriously affected offtake in the price sensitive markets of Asia and the Middle East. However, we noted last time round that consumers in all markets seemed not only to have become accustomed to prices in excess of $400/oz but that they generally expected prices to rise further. So while the price spike certainly constrained demand its effect was considerably milder than that of comparable movements in earlier years (such as those in 2002 or 2003).

While still 5% lower than one year earlier, overall supply to the market in Q4 was not as constrained as in Q3 with, as expected, additional supply from central banks and a slower pace of de-hedging.

2004 as a whole: overview

The year as a whole saw strong increases in jewellery and in net retail investment (both commented on in the section on consumer demand on page 4). Industrial demand also rose although the pace of its growth moderated as the year progressed in line with the electronics cycle and the slowing world economy. Net institutional investment (see page 4) moved from positive to negative and back to positive again; the overall figure was negative but the reduction was much smaller than 2003's gain. All elements of supply were lower than in 2003, resulting in an overall fall of 13% in the total figure.

Supply in detail

Mine production recovered slightly in Q4 and was 1% higher than a year earlier with the massive Grasberg mine in Indonesia back to full production levels, albeit mining lower-grade ores. Q4 also benefited from a number of new mines coming on stream although some were still in the ramp-up stage. For the year as a whole, however, mine output, at 2,478 tonnes, was sharply down on 2003 – according to GFMS Ltd this was the sharpest fall in production since the 1940s. The fall was partly due to temporary factors including the after effects of the landslides at the Grasberg mine in Q4 2003 and bad weather in Australia and USA in the early part of the year. In addition, however, the strength of the rand, and hence the high US$ costs of South African mining, prompted cut-backs of marginal production areas. There was a limited contribution of new mines to output in 2004. GFMS Ltd expect an increase in production in 2005 partly as Grasberg should see a return to full operation for the whole year and partly as 2004 start-up mines will contribute a full year's production.

The pace of de-hedging remained fairly rapid in Q4 although at 113 tonnes it was lower than in Q3. Most of the decrease in hedgebooks was due to a reduction in forward sales. Of particular importance was the completion of a major hedgebook restructuring by AngloGold Ashanti. The Q4 de-hedging brought total mine supply in that quarter to 536 tonnes, 13% lower than a year earlier. De-hedging was high throughout 2004, 59% higher than in 2003. Together with the 4% fall in mine output mine supply for the year was 12% lower in consequence. GFMS expect de-hedging to be lower in 2005 than the 445 tonnes this year, but to remain a substantial force in the market.

Scrap supply was 14% lower in Q4 than a year earlier at 205 tonnes, continuing the trend evident in the first three quarters of the year. The acclimatisation of consumers to higher prices and the growing expectation that prices would continue to rise reduced the impetus to take profits. In addition, improving economic conditions in Egypt (see page 10) meant that that country was not the substantial supplier of scrap it was in 2003.

Central banks – the start of CBGA 2

After three quarters in which net central bank selling had been running well below 2003 levels, we expected selling to be higher in Q4, partly as a result of the start of the second Central Bank Gold Agreement (CBGA 2). In fact net central bank sales over the quarter amounted to 234 tonnes. 136 tonnes of this came from the CBGA (see box), with the balance from published and non-reported holdings outside the Agreement. There were no apparent major purchases during the quarter.

CBGA 2 sales

Declared sales from 27th September to end-year (tonnes)

Austria	10.0
France	39.3 (of which 0.6 tonne in September)
Luxembourg	2.3
Portugal	20.0
Switzerland	65.9 (of which 1.1 tonnes in September
Total	**137.5 (of which 1.7 tonnes in September)**

Announced and probable sales in Q1 2005

Up to February 18 Eurosystem central banks sold a further 39 tonnes with at least two central banks selling (probably France and the Netherlands).
Sweden announced in January that it had sold 15 tonnes.
Switzerland has a further 64 tonnes to sell after the end of 2004 which it intends to sell by end-March.

Announced plans for CBGA 2

The following central banks have announced their sales intentions for the period of the Agreement:

Austria	Less than 90 tonnes
France	500-600 tonnes
Germany	8 tonnes in 2004/2005 out of an option for the year of 120 tonnes. The remaining 112 tonnes to be offered to another Eurosystem central bank. No plans yet announced for following years.
Netherlands	165 tonnes
Switzerland	60 tonnes

Demand *(Fabrication basis)*

Jewellery fabrication was 9% higher in Q4 than a year earlier, bringing the annual increase to 6%. Jewellery trends are commented on in detail in the next section. Fabrication of bars and coins was 15% up on Q4 2003, pushing the increase for 2004 as a whole to 26%.

Industrial demand in Q4 was just 3% higher than a year earlier. Electronics demand rose 2% but this was considerably less than the strong growth rates recorded in the first three quarters. Slowing economic growth, together with a reduction in inventory levels across the electronics supply chain was responsible. Japanese offtake fell as, in addition to lower domestic demand, the country lost market share to South Korea, Singapore and elsewhere.

Other industrial and decorative demand rose by 6% year on year in Q4 with a particularly strong rise in India, due in particular to rising demand for *jari,* (gold thread used in wedding and other saris). Swiss demand also rose strongly on the back of increased demand for gold-plated watches,

After two quarters of negative results, net institutional demand turned positive in Q4. Overall offtake was probably in the 110-130 tonne region. The main event of the quarter was the launch of the State Tracks Gold Shares Exchange Traded Fund, sponsored by a subsidiary of the WGC, which had gained 95 tonnes by the end of the quarter. The NewGold ETF was also launched in South Africa. The launch of the US fund in particular provoked heightened market interest in gold. Most additional investment was visible in the ETFs and similar funds but there also appears to have been some net additional investment elsewhere.

Seasonal movements would have resulted in inventory reduction by retailers and wholesalers in Q4 so that the balance figure for the quarter, which combines net institutional investment, stockbuilding and other residual elements including, if appropriate, changes in delta hedging not included elsewehere, was 90 tonnes.

For the year as a whole the balancing figure was -124 tonnes following +653 tonnes in 2003. This largely reflects net disinvestment over the year (notwithstanding the rise in Q4) by short-term speculative buyers who had bought in 2003. The scale of disinvestment was substantially lower than the amount of purchasing in the earlier year, suggesting that many buyers had bought with a longer-term perspective and held onto their investment. Market reports confirm this analysis. Meanwhile there are indications that a growing number of institutional investors, particularly pension funds, are investing in commodities, including gold, although so far this is primarily via futures or commodity index trackers.

CONSUMER DEMAND

Overall consumer demand (consumption basis)

	2002	2003	2004	*% change 2004 vs 2003*	03'Q4	04'Q1	04'Q2	04'Q3	04'Q4	*% change Q4'04 vs. Q4'03*
Tonnes										
Jewellery	2,680	2,522	2,673	*6.0*	733	577	661	639	788	*7.5*
Net retail investment	332	300	335	*11.4*	94	90	89	76	91	*-3.1*
Total consumer	3,012	2,823	3,007	*6.5*	827	666	750	714	879	*6.3*
Value, $bn										
Jewellery	26.7	29.5	35.2	*19.3*	9.2	7.6	8.4	8.2	11.0	*19.2*
Net retail investment	3.3	3.5	4.4	*25.5*	1.2	1.2	1.1	1.0	1.3	*7.5*
Total consumer	30.0	33.0	39.6	*20.0*	10.4	8.8	9.5	9.2	12.3	*17.9*
Price, $/oz	309.68	363.32	409.17	*12.6*	391.06	408.44	393.27	401.30	433.80	*10.9*

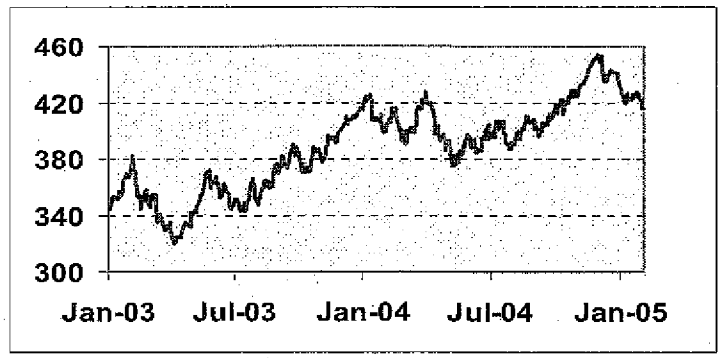
Sources: Tonnage data are compiled by GFMS Ltd. Value data are calculated by the WGC from GFMS data.
1. Provisional.

(Jewellery and net retail investment in the rest of this report are on a consumption basis.)
Overall jewellery demand grew consistently well throughout the year. For 2004 as a whole demand in tonnage terms was 6% higher than a year earlier with demand in dollar terms a spectacular 19% higher. For Q4, the growth rates compared with Q4'03 were 7% and 19% respectively.

Yet this overall picture concealed divergent trends in different market blocs. Against the background of vibrant economic growth, a pattern of price movements that was favourable for much of the year, and, most recently, an apparent change in consumer attitudes to price rises, trends in Asia and the Middle East were almost uniformly strong – in some countries exceptionally so. Against the background of a substantial gold price rise, US demand posted a strong rise in value terms, and only slipped marginally in volume terms. Europe, as in other recent quarters, remained the laggard.

To analyse trends in the Asian and Middle East bloc throughout the year, it is necessary to consider price movements. The graph shows the dollar price, most markets in this region having currencies linked either tightly or loosely to the US currency. This is a region where sharp upward movements in price normally hurt demand; consumers are highly aware of price and reluctant to buy when the price is moving upwards lest it fall back following a purchase. They return to the market once the price has stabilised.

Gold price, $ per oz, London pm fix



Price trends in 2003 were not generally favourable to demand in this region. The price peaked in February and, while it fell back afterwards, it was then on a rising trend for much of the year. In 2004, while a double peak in the price occurred in January and, again, at the beginning of April prices then remained below the peak level until late October. A further sharp spike, with prices rising to over $450 per ounce, occurred in late November/early December.

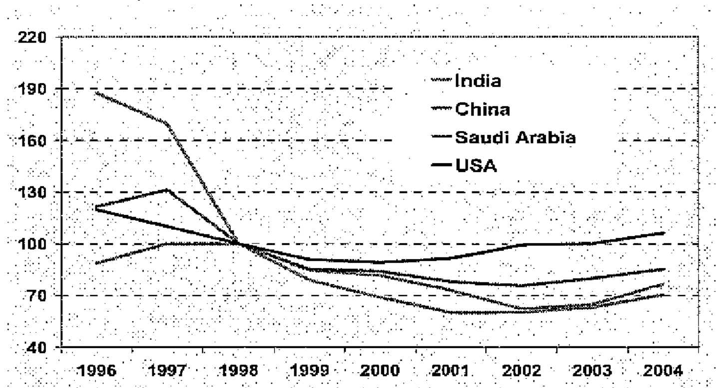
During the second half of the year a noticeable change in consumer sentiment towards rising prices seemed to occur. Reports from the trade in all countries suggested that not only were consumers comfortable with prices in excess of $400 per ounce but that they expected prices to continue rising. As a result the sharp rise in prices in November, while it dampened demand, was far less of a deterrent than would have been the case in earlier years. In consequence demand remained reasonably robust throughout the quarter.

A different pattern was evident in Western markets. Consumers here are less immediately sensitive to price movements but they do impact on manufacturers and can result in the gold content of jewellery being shaved to maintain price points at the lower end. US demand remained generally healthy, particularly in dollar terms, but European markets were less strong. A common feature of Western markets is the dichotomy between the stylish and fashionable end and the more traditional, basic products. Almost without exception products that are stylish, and of good and innovative design (whether at the expensive or cheaper end of the market) are performing well. More basic, less stylish, and heavier products are struggling.

We have noted in previous reports that jewellery demand in both value and volume terms remains below previous peaks (see historical statistics on page 11) and underlined the importance of continued promotion. These strictures remain. However 2004 did see gold regaining some market share in key markets as the following graph shows. A number of promotional efforts by the WGC, informed by a programme of market research, were successful in 2004 but more work remains to be done.

Net retail investment remained strong throughout most of the year buoyed by the rise in price and the political and economic environment. Demand in Q4 remained at a high level but was slightly lower than a year earlier in tonnage terms, although it was 9% higher in value terms. A rising gold price trend against a background of continued concern over political and some economic worries created a positive environment in most Asian and Middle East countries for increased purchases of bars and coins. Nevertheless dishoarding continued to outweigh buying in Western Europe.

Ratio of gold jewellery demand to retail spending indicators (1998=100)



Value of gold demand in national currency compared to value of:
India: Private consumption; China: Retail sales of consumer goods; Saudi Arabia: private consumption; USA: retail sales of jewellery, luggage and leather goods stores

CONSUMER DEMAND TRENDS IN INDIVIDUAL COUNTRIES

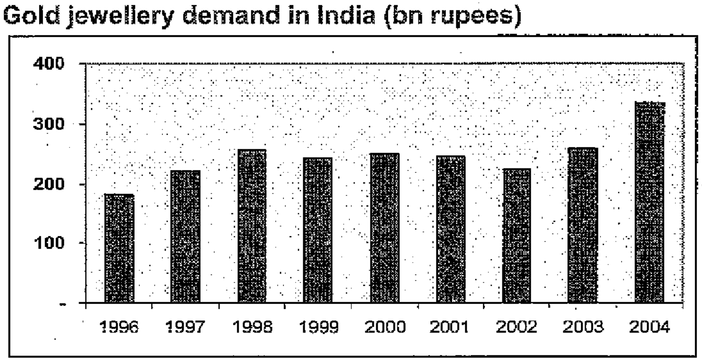
India

Demand in India for both jewellery and retail investment remained very strong in Q4, rising 49% and 31% in tonnage terms respectively (total consumer demand up 46%) above an, albeit weak, Q4 2003. For the year as a whole total consumer demand rose by 17% (jewellery 18% and net retail investment 16%). The increases were more spectacular in rupee terms (jewellery up 29% and net retail investment up 27%). This was the first year that the value of jewellery demand had noticeably exceeded the level attained in 1998, when demand was boosted by the initial impact of import liberalisation; it was 29% higher than the 1998 level in rupee terms.

A number of factors combined to boost Indian demand. The economy grew very strongly. While the monsoon was patchy, constraining agricultural output and hence rural incomes, the real impact of this on demand is not expected to show until the first half of 2005. Not only did consumers become comfortable with prices in excess of $400/oz but during the second half of the year they increasingly began to expect prices to rise further. Thus the growth in prices which persisted throughout most of the final months of the year did not prove too great an obstacle to buying – a marked contrast to normal behaviour in this market. Even the sharp price spike in November only provided a temporary interruption to buying and in December, when prices dipped, buying appeared to hit new peaks. Indeed the rise in price has increased the "investment" arguments for buying gold whether in coin or bar form or as jewellery. Finally market research evidence clearly indicated that the WGC Speak Gold campaign had a noticeable impact on urban propensity to buy while other promotional campaigns also appeared successful in promoting buying.

The bright picture did not, however, apply in all the country. Demand in the south was relatively weak; the surge in demand was concentrated in the north and west.

Gold jewellery demand in India (bn rupees)



Source: WGC calculations based on GFMS data..

Embargo – not for release before February 24th, 0700hrs UK time

Consumer demand in selected countries, annual data

Tonnes	2003 jewellery	2003 net retail investment	2003 total	2004[1] jewellery	2004[1] net retail investment	2004[1] total	*% change 2004 vs 2003 jewellery*	*% change 2004 vs 2003 net retail investment*	*% change 2004 vs 2003 total*
India	475.0	90.0	565.0	558.5	104.0	662.5	*17.6*	*15.5*	*17.2*
Greater China	231.0	1.2	232.2	258.7	12.2	270.9	*12.0*	*902.2*	*16.7*
China	201.0	6.4	207.4	224.1	9.8	234.0	*11.5*	*53.1*	*12.8*
Hong Kong	12.0	-4.9	7.1	13.8	1.2	15.0	*15.2*	...	*111.6*
Taiwan	18.0	-0.3	17.7	20.7	1.2	21.9	*15.0*	...	*23.7*
Japan	43.2	49.6	92.8	46.3	70.8	117.1	*7.2*	*42.7*	*26.2*
Indonesia	82.0	1.6	83.6	83.9	5.0	88.9	*2.3*	...	*6.3*
Vietnam	22.8	36.0	58.8	25.4	39.2	64.6	*11.5*	*8.9*	*9.9*
Saudi Arabia	128.2	4.9	133.1	133.4	5.2	138.5	*4.1*	*5.1*	*4.1*
Egypt	66.1	0.6	66.7	73.0	0.5	73.5	*10.5*	*-16.7*	*10.3*
UAE	81.7	6.1	87.8	89.3	6.5	95.8	*9.4*	*6.6*	*9.2*
Other Gulf	46.9	4.6	51.5	50.4	4.9	55.3	*7.4*	*6.7*	*7.4*
Turkey	163.6	48.7	212.3	189.6	48.6	238.1	*15.9*	*-0.2*	*12.2*
USA	354.5	20.9	375.3	352.0	20.1	372.2	*-0.7*	*-3.5*	*-0.8*
Italy[1]	82.0	...	82.0	77.3	...	77.3	*-5.7*	...	*-5.7*
UK[1]	73.1	...	73.1	70.2	...	70.2	*-3.9*	...	*-3.9*
Western Europe[2]	...	9.1	9.1	...	-20.4	-20.4	...	...	...

Source GFMS Ltd

1. Jewellery only. 2. Net retail investment only

2005 has started strongly in India with the comparatively low prices in January and February apparently providing additional impetus to buying behaviour. A generally strong economy should prove supportive to demand throughout the year although this will be tempered in the first half by the impact on rural incomes of last year's substandard monsoon.

An interesting footnote to the role gold plays in the rural areas of India has been provided by the aftermath of the devastating tsunami. A distribution of financial aid to the victims has prompted a surge in buying in certain affected areas of Tamil Nadu with a number of women using a substantial proportion of their aid to buy gold jewellery. With day to day needs generally met by NGOs, the purchase of gold jewellery, which can be worn permanently on the person, was seen as a safe way of holding the money until it could be used constructively in rebuilding victims' lives, and a deterrent to it being spent on non-essentials.

Greater China

Demand in **China** was 13% higher in tonnage terms (and 21% in value terms) in Q4 compared to the final quarter of 2003, bringing the annual increase to 17% (26%).

As it did earlier in the year, K-gold (18 carat gold) performed strongly in Q4. The previous conviction that lighter and 18 carat pieces were more for summer than winter wear seemed to be fading as consumers became more used to the concept. It is thought that demand for K-gold, a large part of which is influenced by Italian design and where the consumer has the option of buying white metal, rose by 7% year on year in volume terms with a substantially higher increase in value. There was a noticeable increase in the sale of bigger pieces. However it appears that the quarter also saw an increase in buying in the traditional *chuk kam* 24 carat jewellery, which is thought to have risen over 10% in volume terms. Better design is helping to promote buying while the rise in the gold price has made the investment element of any gold jewellery purchase more attractive. As elsewhere in the world, consumers now appear to expect the price to continue rising so the sharp rise in November proved a limited deterrent. This change in conviction also resulted in less trading in or selling of old jewellery and thus less scrap supply. In addition to these factors, there was a higher than usual number of weddings in Q4 in advance of the Year of the Rooster which in some areas is considered inauspicious for marriages.

Demand for jewellery appears to have remained brisk for the Chinese New Year in February, There remains debate about the extent of the slowdown in the Chinese economy in 2005 but consumer spending should continue to grow and provide a healthy underpinning to further jewellery purchase. The number of weddings will be lower in 2005 due to the impact of the Year of the Rooster (although there is speculation about a rise in the birth rate).

As regards investment, the China Banking Regulatory Commission (CBRC) finally gave its long-awaited approval to the marketing of investment products by banks at the end of the year. Already, with several banks finding ways round the previous restrictions, retail investment demand rose from 1.7 tonnes in Q4'03 to 4.0 tonnes in Q4'04 but prospects for demand in the future should dwarf this. Nevertheless this will not be very evident in the first months of 2005 as each bank has to obtain individual approval from the CBRC and then prepare its plans.

In **Taiwan**, jewellery demand in Q4 was 20% higher than a year earlier with a strong rally in the traditional wedding market. This brought annual demand to 20.7 tonnes. This is the first year recorded since the beginning of the 1990s in which demand has risen, interrupting a long fall in offtake, albeit demand remains a small proportion of levels seen 10 years earlier. Net retail investment was positive in Q4 – encouraged by the rise in the gold price and expectations that the rise will continue which also reduced selling back.

Demand in gold jewellery was also robust in **Hong Kong.** As in China and Taiwan there were more weddings than usual towards the end of the year with number being brought forward in advance of the inauspicious Year of the Rooster. In addition the number of tourists, and hence tourist spending, rose strongly. Over a million tourists from mainland China now visit Hong Kong every month. While demand was strong in Q4, the high price, particularly during the November/early December price spike also prompted an increase in purchase through trading-in of an existing piece so that offtake was just 3% higher than a year earlier. Nevertheless, for 2004 as a whole jewellery demand was 15% higher than 2003, the first year since 1997 that demand has risen. Net retail investment was also positive (albeit at a low level) for the first year since 2001.

Consumer demand in selected countries, quarterly data

	Q4'03	Q4'04[1]			*% change Q4'04 vs Q4'03*		
			net retail			*net retail*	
Tonnes	**total**	**jewellery**	**investment**	**total**	***jewellery***	***investment***	***total***
India	121.7	147.0	30.5	177.5	*49.2*	*31.5*	*45.9*
Greater China	65.9	71.7	4.8	76.5	*9.8*	*700.0*	*16.1*
China	58.7	62.2	4.0	66.2	*9.2*	*135.3*	*12.8*
Hong Kong	2.1	3.1	0.3	3.4	*3.5*	...	*62.1*
Taiwan	5.1	6.4	0.5	6.9	*20.2*	...	*34.6*
Japan	30.2	11.4	19.0	30.4	*4.6*	*-1.6*	*0.7*
Indonesia	20.9	18.1	0.5	18.6	*-4.5*	*-75.0*	*-11.2*
Vietnam	19.0	8.0	7.0	15.0	*6.2*	*-39.1*	*-21.2*
Saudi Arabia	29.0	28.7	1.1	29.8	*2.5*	*10.0*	*2.8*
Egypt	16.2	17.6	0.1	17.7	*9.7*	*0.0*	*9.6*
UAE	19.3	17.6	1.5	19.1	*-1.1*	*0.0*	*-1.0*
Other Gulf	12.2	10.9	1.4	12.2	*0.2*	*-0.7*	*0.1*
Turkey	30.8	30.5	8.3	38.8	*18.2*	*64.7*	*25.8*
USA	167.0	155.8	5.4	161.2	*-2.0*	*-32.4*	*-3.5*
Italy[1]	41.4	38.9	...	38.9	*-6.1*	...	*-6.1*
UK[1]	39.3	37.6	...	37.6	*-4.3*	...	*-4.3*
Western Europe[2]	10.7	...	0.5	0.5	...	...	...

Source: GFMS Ltd
1. Jewellery only. 2. Net retail investment only.

Other East Asia

Investment demand in **Japan** was high throughout the year reaching 70.8 tonnes, 43% higher than in 2003 and the highest figure since 1999. The Q4 figure was 19.0 tonnes, only slightly down on a very strong Q4 2003. The strengthening of the yen against the dollar meant that the price spike during the quarter was less evident than it was in dollar terms, so this did not prove too great a deterrent to purchase. An important element in supporting demand – and one that should impact on 2005 – is the planned limitation of government bank deposit insurance guarantees from April 1. After that date bank deposits will only be guaranteed, in the event of bank failure, up to a maximum of 10 million yen (approximately $90,000). Since 56% of household investments are held in bank accounts, and given Japan's history of occasional bank failures, this is prompting some depositors to consider holding their savings in other assets. Some are purchasing gold with sporadic reports of individuals buying 100 kg or more at a time.

In 2002, the bank deposit insurance was reduced to a limit of 10 million yen on time deposits. This prompted a surge of gold investment in the first quarter of that year with net purchases rising to 44 tonnes, before falling to 17 tonnes in the second quarter. We do not expect such an increase this time as, unlike 2003, the economic climate has improved, the yen is not weak and there have been no recent financial crises. But the impending reduction in guarantees is expected to help encourage gold buying throughout the year.

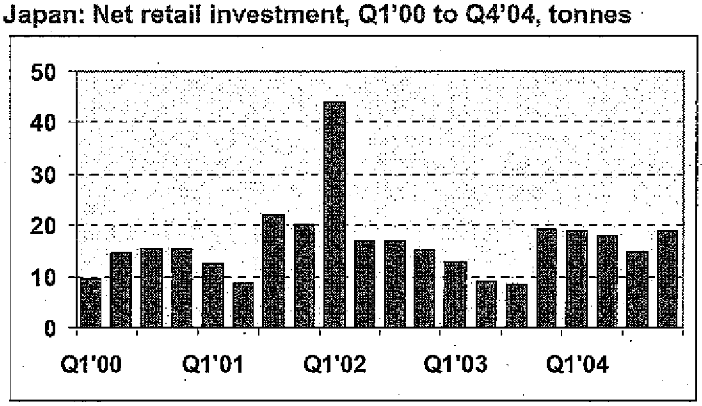
Jewellery demand was 5% higher in Q4 than a year earlier, bringing the rise for the year as a whole to 7%. Consumer confidence grew slowly while still remaining fragile. The high price of platinum also helped gold sales. Consumers are, however, viewing 2005 with a note of caution as economic growth slows.

Indonesia was an exception to the general rule with demand relatively subdued in Q4 and a rise in selling back and hence scrap levels. The main reason for this was a fall in the rupiah which compounded the local rise in the gold price in November/early December. Manufacturers remained busy and consumer interest remained high but much of the demand was met by recycled scrap rather than by the import of new bars. Jewellery demand was, therefore, 4% below what was already a weak quarter in Q4 2003. Nevertheless for 2004 as a whole consumer demand was 6% higher in tonnage terms than in 2003 with jewellery rising 2% and net retail investment rising from 1.6 to 5.0 tonnes.

In **Vietnam**, both jewellery and retail investment demand were records for the year at 25.4 and 39.2 tonnes respectively, giving substantial rises of 12% and 9% on 2003. A strong economy and increased consumer purchasing power provided the backdrop to buoyant demand for jewellery as wedding and year-end gifts so that Q4 continued the buoyant trend of earlier quarters rising by 6% over the last quarter of 2003. The rise in the price in Q4 did, however, dampen net retail investment temporarily leaving offtake for the quarter sharply lower than a year earlier. In part this was due to the impact of the gold price on the housing market (since property prices are linked to gold) reducing transactions in real estate. Nevertheless the fall in the price in December did see purchasing pick up in late December and January. Generally investment remains responsive to promotional campaigns.

Prospects for gold buying in Vietnam in 2005 seem promising with the combination of a strong economy and a probable completion of the liberalisation process.

Japan: Net retail investment, Q1'00 to Q4'04, tonnes



Source: GFMS Ltd

Middle East and Turkey

Throughout **Saudi Arabia** and **the Gulf** 2004 as a whole was a strong year for gold consumption with a booming economy on the back of high oil prices and, for the Gulf, increasing numbers of tourists. Demand in Q4 was nevertheless dampened by the price spike in November although, as in other countries. the impact of this was less sharp than it would have been in previous years. An additional factor was confusion over the date of the Eid al Fitr at the end of Ramadan, which is a major gift-giving occasion. The Eid is declared on the first sighting by eye of the new moon. It was expected to be on a Sunday but late on Friday night was declared for the Saturday; this had the effect of losing, in the Saturday, what would have been a prime shopping day.

In the **UAE**, Q4 demand was additionally restrained by the mourning after the death of the President, His Highness Sheikh Zayed Bin Sultan Al Nahyan, who was genuinely respected and liked by both locals and expatriates, in November. Gold offtake was 1% lower than year earlier levels in tonnage terms. Nevertheless consumer offtake for the year as a whole was a substantial 9% higher in tonnage terms than 2003 (up 23% in value terms).

In **Saudi Arabia** Q4 demand was 3% higher than a year earlier in tonnage terms. In addition to the strong economy, the year on year increase was boosted by the recovery from the Saudiisation process which in 2003 depressed buying due to a lack of sufficiently trained Saudi personnel and hence a number of store closures. For the year as a whole demand was 4% higher in tonnage terms (up 17% in value terms).

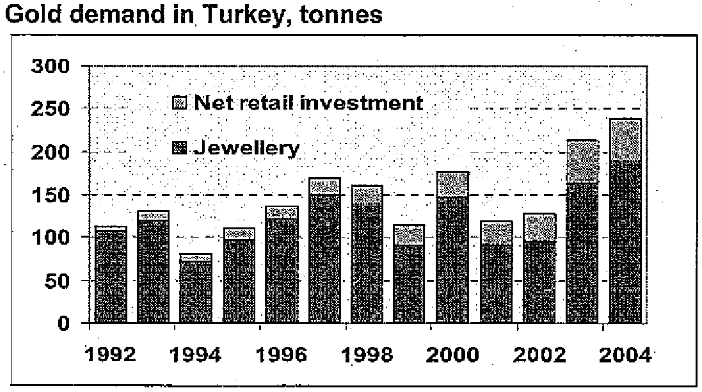
Among other Gulf countries, demand in **Kuwait** was particularly strong in 2004. Confidence has been high due to the removal of Saddam Hussein and both business and consumer spending have risen as a result. Gold offtake was 10% higher than in 2003.

Nevertheless, throughout the region continued promotion is essential if gold is to retain its share of the consumer wallet. Competition for consumer spending is intense and the annual increases in demand were only possible, despite booming economies, with continued marketing.

Demand in **Egypt** continued to grow in Q4 as the economy recovered. This brought offtake for the year as a whole to 73.5 tonnes, 10% higher than in 2003. The new government generated additional confidence in the currency which recovered some of its lost ground against the dollar so that the impact of the price rise was muted. Tourism also rose. The recovering economy and more favourable price trends also resulted in less scrap being generated.

Turkey remained a star performer – indeed the strength of demand in Q4 surprised many who had expected some levelling off following the sharp rise in demand in 2003 and 2004. Instead overall consumer demand rose 26% in tonnage terms compared to a year earlier with an 18% rise in jewellery consumption and a massive 65% jump in net retail investment. This brought annual jewellery demand to 189.6 tonnes, up 16% on 2003 and a record for the second year in a row. Net retail investment, at 48.6 tonnes, was only a shade below the record 2003 figure. A strong economy and successful promotion has underpinned jewellery demand for the last two years. As the chart shows, net retail investment has grown over the last decade due to the increasing popularity of the *cumhuriyet* gold coin. This has been helped by global political uncertainty, particularly in the Middle East and its popularity has not been dented by the recent improvement in the domestic economy.

Gold demand in Turkey, tonnes



Source: GFMS Ltd

USA and Europe

Jewellery demand in the USA was slightly below 2003 in volume terms. but a substantial 12% higher in terms of gold value, gaining market share when compared to comparable items (see graph on page 6). Retail spending in the US was generally strong last year but with some underlying fragility due to its reliance on increasing household debt and, as the year progressed, doubts as to whether personal income growth could be maintained in the future. Spending on gold jewellery was affected by this. The mixture of strength and weakness was demonstrated in Q4. Sales during the early part of the quarter were subdued; an important element in this was the uncertainty over the presidential election which always tends to dampen purchases of luxuries. The Christmas spending period too got off to a slow start but picked up later and gold sales appear to have reflected this. Consumers appear increasingly to wait until shortly before Christmas to do much of their Christmas shopping and this year was no exception. An additional trend is an increasing use of gift certificates which do not translate into actual purchase until January. Reports by retailers indicate that 2004 was, in the end, a good Christmas for gold jewellery. For the quarter as a whole, gold purchases were 2% lower in tonnage terms although 9% higher in terms of gold value.

A clear trend was the movement to newly-designed, more fashionable and stylish pieces. Available information provides strong indications that this sector of the market performed well but that sales of low value-added, more basic, products slowed dramatically. Demand for 18 carat pieces, as distinct from lower caratage, was strong. There was a fashion-driven resurgence in yellow gold. Earrings were popular. Good promotion worked too. WGC partners reported very strong holiday sales, with gold gaining share in total jewellery sales for the first time for many years.

Net retail investment in Q4 was 5.4 tonnes, in line with recent quarters.

Italian demand for jewellery continued to fall with a disappointing Christmas season making Q4 6% below year-earlier levels, relatively weaker than earlier quarters. The trend away from traditional Mediterranean feeling for gold towards a more Northern European attitude continues; so too does the trend towards mixed metals jewellery and the use of new materials such as stainless steel.

But not all is gloomy. As in other Western markets there is a clear move towards fashionable and stylish pieces; innovative suppliers are doing well while more traditional suppliers suffer. There are encouraging results from promotions. The WGC's *Speak Gold* campaign appears to have more resonance than some earlier campaigns. The *Gold Expressions* campaign, which encourages the creation and promotion of fashionable and stylish jewellery, has also been very successful both as regards domestic sales and as regards Italian exports.

Q4 **UK** demand remained subdued with offtake 4% below year-earlier levels in line with earlier trends. While the economy was generally strong in 2004 consumer spending lacked the exuberance of recent years. Concern over the impact of rising interest rates on mortgage payments and a slowing housing market made consumers more cautious and less conducive to luxury purchases. Nevertheless the trends remained the same as in other Western markets. More stylish and fashionable pieces sold well. It is noticeable that while 9 carat jewellery remains dominant in the UK market, hallmarking statistics show that in 2004 the number of 18 carat items was a record at over 10% of the total.

Historical data for gold consumption (tonnes)

	1996	1997	1998	1999	2000	2001	2002	2003	2004[1]	Q1'03	Q2'03	Q3'03	Q4'03	Q1'04	Q2'04	Q3'04	Q4'04[1]
Tonnes																	
Jewellery	2,856	3,311	3,182	3,148	3,222	3,028	2,680	2,522	2,673	536	631	614	733	580	664	642	788
Net retail invest.	255	447	257	354	155	344	332	300	346	69	69	68	94	90	89	76	92
Total	3,111	3,758	3,439	3,502	3,376	3,372	3,012	2,823	3,018	605	700	682	827	669	752	717	880
$ bn																	
Jewellery	35.62	35.27	30.08	28.20	28.91	26.39	26.69	29.46	35.16	6.07	7.03	7.17	9.22	7.58	8.36	8.24	10.99
Net retail invest.	3.18	4.76	2.43	3.17	1.39	3.00	3.31	3.51	4.40	0.78	0.77	0.79	1.18	1.18	1.12	0.97	1.27
Total	38.79	40.03	32.52	31.37	30.30	29.38	29.99	32.97	39.56	6.85	7.81	7.96	10.39	8.75	9.48	9.22	12.25
Price, av, pm fix, $/oz	387.87	331.29	294.09	278.57	279.11	271.04	309.68	363.32	409.17	352.09	346.90	363.16	391.06	408.44	393.27	401.30	433.80

Source: Volume data are from GFMS Ltd. Value data are WGC calculations based on GFMS data. Detailed tonnage figures will be available on Bloomberg from March 1st or contact GFMS (+44 (0) 20 7478 1777; gold@gfms.co.uk)

Embargo – not for release before February 24th, 0700hrs UK time

.Notes and definitions

All statistics (except where specified) are in weights of fine gold.
Tonne = 1,000 kg or 32,151 troy oz of find gold.
Na = not available
... = not applicable

Mine production. Formal and informal output.

Net producer hedging. The change in the physical market impact of mining companies' gold loans, forwards and options positions.

Official sector sales. Gross sales less gross purchases by central banks and other official institutions. Swaps and the effect of delta hedging are excluded.

Old gold scrap. Gold sourced from old fabricated products which has been recovered and refined back into bars.

Jewellery. All newly-made carat jewellery and gold watches, whether plain gold or combined with other materials. It excludes second-hand jewellery, other metals plated with gold, coins and bars used as jewellery and purchases funded by the trading in of existing jewellery.

Retail investment. Individuals' purchases of coins and bars defined according to the standard adopted by the European Union for investment gold. Medallions of at least 99% purity, wires and lumps sold in small quantities are also included. In practice this includes the initial sale of many coins destined ultimately to be considered as numismatic rather than bullion. It excludes second hand coins and is measured as net purchases.

Consumer demand. The sum of jewellery and retail investment purchases for a country – ie the amount of gold acquired directly by individuals.

Industrial demand. The first transformation of raw gold into intermediate or final products destined for industrial use such as gold potassium cyanide, gold bonding wire, sputtering targets. This includes gold destined for plating jewellery.

Dental. The first transformation of raw gold into intermediate or final products destined for dental applications such as dental alloys.

Tourist purchases and "luggage trade". Purchases by foreign visitors which are normally for their own use or for gifts are included in demand in the country of purchase. Bulk purchases by foreign visitors ("luggage trade") which appear to be intended for resale in the visitors' country of origin or a third country are attributed to the country in which they are resold.

Revisions to data. All data may be subject to revision in the light of new information.

Historical data

Data covering a longer time period will be available on Bloomberg from March 1st; alternatively contact GFMS Ltd (+44 (0) 2074781777; gold@gfms.co.uk)..

Sources, copyright and disclaimers

Issued by: The World Gold Council, 55 Old Broad Street, London EC2M 1RX. United Kingdom.
Tel.+44.(0)20.7826.4700 Fax. +44.(0)20.7826.4799

For further information, contact: Jill Leyland, Economic Adviser to the World Gold Council, Tel: +44 (0) 2078264709 *or* +44 (0) 1689 813397. E-mail: jill.leyland@gold.org

ATTACHMENT 4

Embargo – not for release before June 1st, 07.00 hrs New York Time

GOLD SUPPLY AND DEMAND IN FIRST QUARTER 2005

World Gold Council briefing note

Key points:

- Gold demand was very strong in Q1. Compared to a year earlier, it absorbed additional supply placed on the market of nearly 200 tonnes (the largest share of which came from central banks) while supporting an average price, at $427 per ounce, that was 5% higher. End-user consumption was 26% higher in tonnage terms compared to a year earlier, and 32% in dollar terms.

- The Q1 increase resulted from a combination of strong underlying trends with price movements that many consumers perceived as temporarily favourable. Successful and increased promotion for jewellery, favourable economic trends in a number of gold-consuming countries, new investment products, acceptance by consumers of prices in excess of $400/oz, and an undercurrent of political and economic unease favouring gold investment have supported a robust upward trend in consumer demand in recent months. In these circumstances many purchasers saw the retreat in the price during Q1 from the peaks reached in Q4 as a strong buying opportunity.

- The trend in jewellery consumption over the last year has been very promising; market research findings confirm that additional and sustained promotion is having an impact. Nevertheless the value of jewellery demand has only just returned to its previous peak in 1997 so continued promotional efforts remain necessary.

- There were two trends in institutional investment demand. Investment by institutions in Exchange Traded Funds (ETFs) and similar products grew while that in other investment products appears to have fallen in the first few weeks of the quarter, as the gold price weakened with the strengthening of the dollar, and then recovered to be broadly neutral over the quarter as a whole. The difference is probably primarily due to the fact that the introduction of ETF style products has opened up gold to many investors who had not previously invested in it. In general many of these newer investors have a longer-term investment horizon.

- Demand in India in Q1 was exceptionally strong with jewellery 72% higher than a year earlier in tonnage terms and investment more than doubling. A number of factors combined to produce this result. The boom in Turkish demand also continued while a number of other countries showed double digit increases.

- Industrial demand was broadly similar to a year earlier with a small drop in electronics demand offset by an increase in other uses.

Early indications for Q2

The factors supporting the upward trend in demand remain largely in place. However, the performance in Q1 was so exceptional that Q2 is likely to see some fall-back. Any further weakening of the dollar will support investment buying of gold although any resultant price volatility may constrain jewellery purchases. A positive factor for the market is a likely reduction over the next two quarters in central bank selling due to the timing of Central Bank Gold Agreement sales.

Contents

This briefing note has been written by the World Gold Council based on data provided by GFMS Ltd. For further details see page 10.

WORLD GOLD COUNCIL

gold

OVERALL TRENDS IN DEMAND

Table 1: End-use gold consumption (tonnes)[1]

Tonnes	2002	2003	2004	% change 2004 vs 2003	Q1'04	Q2'04	Q3'04	Q4'04	Q1'05[2]	% change Q1'05 vs Q1'04
Jewellery consumption	**2,667**	**2,481**	**2,610**	*5.2*	**576**	**637**	**609**	**788**	**688**	*19.5*
Industrial & dental	**358**	**381**	**411**	*7.9*	**101**	**109**	**102**	**100**	**100**	*-1.2*
Electronics	207	235	261	*11.4*	65	71	65	61	61	*-6.0*
Other industrial	83	80	83	*3.3*	19	22	20	22	22	*17.2*
Dental	69	67	68	*1.2*	17	17	17	17	16	*-3.2*
Identifiable investment	**343**	**331**	**475**	*43.5*	**100**	**91**	**75**	**209**	**189**	*89.8*
Bar hoarding	264	178	246	*38.3*	57	66	58	64	82	*43.5*
Official coin	96	105	112	*6.7*	34	29	25	24	39	*15.1*
Medals & imitation coin	26	25	29	*15.3*	6	7	8	8	10	*58.5*
Other retail investment[3]	-47	-17	-45	...	-14	-15	-14	-1	-31	...
ETFs & similar products[4]	3	39	133	*237.2*	16	5	-2	114	89	*439.9*
Total end-user consumption	**3,367**	**3,194**	**3,497**	*9.5*	**776**	**838**	**786**	**1,097**	**977**	*25.8*
London pm fix, $/oz	309.68	363.32	409.17	*12.6*	408.44	393.27	401.30	433.80	427.35	*4.6*

Source: GFMS Ltd. 1. Identifiable end-use consumption excluding central banks. This table is consistent with that published on page 8 of GFMS's *Gold Survey 2005* but includes some revised data. 2. Provisional. 3. "Other retail" excludes bar and primary coin offtake; it represents mainly activity in North America and Western Europe. Q1'05 figure excludes certain countries. 4. Exchange Traded Funds and similar products including: Gold Bullion Securities, streetTRACKS Gold shares, NewGold Gold Debentures, iShares Comex Gold Trust, Central Fund of Canada and Central Gold Trust.

The tables shown in this report have changed from the last issue to take advantage of the additional information presented in the new table of end-use consumption, introduced by GFMS in *Gold Survey 2005*. This enables more detail to be seen for both industrial and investment demand.

The first three months of 2005 were another strong quarter for gold demand, particularly for jewellery and some categories of investment. End-user consumption (which includes all statistically identifiable categories of demand) was 26% higher than a year earlier in tonnage terms and a substantial 32% in dollar terms. The strength of demand proved more than adequate to absorb the additional supply coming on to the market from central banks and other sources while still supporting an average price level of $427.35 per ounce, 5% higher than a year earlier.

The factors lying behind the strength of demand included still buoyant economies in most consuming markets, additional promotion for jewellery, which is having a measurable impact, new investment products, and an undercurrent of political and economic unease favouring gold investment. The combination of these would have supported a continuation of the buoyant trends seen for much of last year but price movements added additional impetus.

As reported in the last briefing note, by end-2004 consumers in most markets had become accustomed to gold prices over $400/oz. (Most major gold consuming markets have currencies which are linked, either tightly or loosely, to the dollar.) Further, there is a growing consensus that the price of gold could rise further. In these circumstances the small retreat in the gold price from the peaks seen in the fourth quarter of last year was viewed as a strong buying opportunity, adding further vigour to an already powerful market. For much of the first quarter the price fluctuated between $420-440/oz. Anecdotal reports suggest demand rose strongly when the price fell towards the lower end of this range, retreating when it moved towards the higher end.

Jewellery demand was 19% higher than a year earlier in tonnage terms and 25% in dollar terms continuing the upturns which started in Q1 2004 and mid-2002 respectively. Europe and Japan apart, all countries showed year-on-year increases in jewellery consumption, a number of which were very strong. However, the overall rise owed much to an

Table 2: End-use gold consumption ($ bn)[1]

	2002	2003	2004	% change 2004 vs 2003	Q1'04	Q2'04	Q3'04	Q4'04	Q1'05[2]	% change Q1'05 vs Q1'04
Jewellery consumption	26.55	28.99	34.34	18.5	7.56	8.06	7.86	10.99	9.45	25.0
Industrial & dental	3.56	4.45	5.41	21.5	1.32	1.38	1.31	1.39	1.37	3.4
Identifiable investment	3.41	3.87	6.25	61.7	1.31	1.15	0.97	2.92	2.60	98.6
of which: retail[3]	3.38	3.41	4.50	32.2	1.09	1.09	1.00	1.34	1.38	26.4
Total end-use consumption	33.52	37.31	46.00	23.3	10.19	10.59	10.14	15.30	13.42	31.6

Source: WGC calculations based on GFMS data. 1. See notes to Table 1. 2. Provisional. 3 Retail investment is defined as all categories of identifiable investment with the exception of Exchange Traded Funds and similar.

exceptional increase in India where consumption was 72% higher than a year earlier. Excluding India, the overall increase was 8% in tonnage terms and 13% in dollar terms.

Chart 1 shows trends in jewellery with a four-quarter moving average applied to iron out seasonal fluctuations. The value series has now regained the peak levels seen in early 1997. The tonnage series, which was on a sharp downward trend from early 2001 to late 2003, now appears to have reversed, a reversal achieved despite the continued rise in the price.

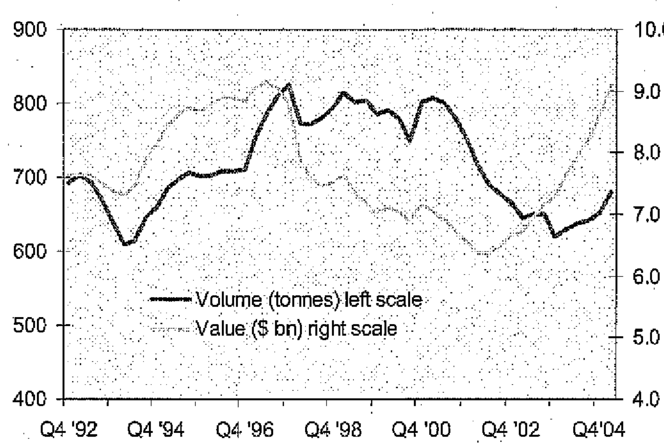
The trends in recent quarters have therefore been very promising. There is increasing evidence that the additional promotion of the last two years is bearing fruit with market research results in target markets showing more favourable attitudes and increasing propensity to buy. Further, this has occurred despite a large price rise. Nevertheless there is still work to do to regain levels of demand that past experience has indicated can be achieved. While offtake in tonnage terms will be constrained by the price rise of the last few years, the value of offtake in dollars should be higher than in the late 1990s, given the overall growth in the world economy. Promotion must be sustained to enable gold even to hold its own against competing goods and services, let along to increase its market share.

Industrial demand was slightly lower, in tonnage terms, than in Q1 2004 and slightly higher in value terms. The largest category, gold used in electronics components, was 6% below year-earlier levels due to slowing electronics demand from the boom conditions of last year allied to continual thrifting in use and, possibly, a reaction to a stocks build-up in intermediate components in the second half of 2004.

In contrast to electronics, other industrial uses continued to grow strongly. This category is dominated by decorative purposes. Over one quarter of this demand comes from India and was driven by the buoyant conditions in that country (see section on India below). In the Western world a fashion swing towards gold colour accessories will also have contributed. Dental use was 3% lower than a year earlier. The medium-term trend in dental demand is broadly stable.

The new presentation of data in table 1 gives more information on trends in investment, specifically all categories of retail investment (the first four sub-categories) and investment in Exchange Traded Funds (ETFs) and similar products. Much of institutional investment still defies formal statistical capture although more is known about general trends.

Chart 1: Jewellery demand by value and volume (4-qtr moving average)



Source: WGC calculations based on GFMS data.

The three coin and bar sub-categories all performed strongly with vibrant demand in the four major markets of India, Japan, Vietnam and Turkey as well as in a number of the smaller markets. The combination of the undercurrent of political and economic unease, specific factors for individual markets and the favourable price movements supported offtake. In contrast, other retail investment, which largely reflects net trading of existing products in Western markets, remained negative driven by ongoing dishoarding from European markets.

For institutional investment two trends were apparent: one in the Exchange Traded Funds and similar products (ETFs) and another in the rest of the market. (ETFs are classified as institutional investment although it should be noted that they are bought by individuals as well as institutions.) ETFs contributed 89 tonnes to overall demand (although the growth was entirely in the two latest funds to be launched).

Trends in the rest of the market appear to be closer to neutral over the quarter as a whole with a period of net disinvestment for the first half of the quarter followed by a period of net buying.

The difference in the trends for the two categories is largely due to a difference in investor horizon with the ETFs attracting investors new to gold who take a longer-term view. The longer-term tactical arguments for gold as an investment (in addition to its basic strategic diversification properties) remained intact during the quarter with on-going worries about the durability of economic upturn, continued political concerns, investor interest in commodities as a whole and fears over the medium-term outlook for the US dollar. In contrast the recovery in the dollar at the beginning of this year was negative for gold from the view of a shorter-term investor and speculation over possible IMF gold sales added to this. Later in the quarter, a weakening of the dollar appears to have prompted some swing back to gold.

SUPPLY

Table 3 shows the supply and demand balance; it also takes advantage of the new presentation for demand data. Note that jewellery is on a fabrication not a consumption basis. Supply was 17% higher than in the first quarter of last year. There was a small increase in mine production compared to year-earlier levels. Output from the major Grasberg mine in Indonesia returned to normal levels after the reduction in much of 2004 following the landslides at the end of 2003. However this was largely offset by lower grades being mined in a number of pits in North America and Australia.

Table 3: Gold supply and demand (new WGC presentation)

tonnes	2002	2003	2004	*% change 2004 vs 2003*	Q1'04	Q2'04	Q3'04	Q4'04	Q1'05[1]	*% change Q1'05 vs Q1'04*
Supply										
Mine production	2,589	2,593	2,464	*-4.9*	573	605	647	639	583	*1.7*
Net producer hedging	-412	-279	-442	...	-76	-111	-145	-109	-22	...
Total Mine supply	2,177	2,313	2,022	*-12.6*	497	493	502	530	561	*12.9*
Official sector sales[2]	545	617	478	*-22.6*	119	79	65	215	254	*113.5*
Old gold scrap	835	939	828	*-11.9*	235	206	183	204	229	*-2.6*
Total Supply	3,557	3,870	3,328	*-14.0*	850	779	750	950	1,043	*22.7*
Identifiable demand										
Jewellery fabrication	2,667	2,481	2,610	*5.2*	605	672	658	675	707	*17.0*
Industrial and dental	358	381	411	*7.9*	101	109	102	100	100	*-1.2*
Net retail investment[3]	339	292	342	*17.4*	83	86	77	96	101	*20.8*
Exchange traded funds & similar	3	39	133	*237.2*	16	5	-2	114	89	*439.9*
Total identifiable demand	3,367	3,194	3,497	*9.5*	805	873	835	984	996	*23.7*
Balancing figure[4]	190	676	-169	...	45	-94	-86	-34	47	...

Source: GFMS Ltd. Data in this table are consistent with those published by GFMS but adapted to the WGC's presentation and taking account of the additional demand data now available. 1. Provisional. 2. Excluding any delta hedging of central bank options. 3. Bar hoarding plus medal, official coin and imitation coin fabrication, and other identified retail investment. 4. This is the residual from combining all of the other data in the table. It includes institutional investment other than ETFs & similar, along with stock movements and other elements as well as any residual error.

De-hedging fell to 22 tonnes in the quarter, much less than the 76 tonnes in Q1 2004 and thus adding 54 tonnes to supply. However, the main contribution to additional supply came from central bank sales. These were more than double year-earlier levels. In general this reflected the timing of sales under the new Central Bank Gold Agreement (CBGA).

By April 1st, just over half-way through the first year of the current CBGA, the signatories had disposed of a combined 346 tonnes out of the 500 tonnes maximum. In particular, the first quarter saw the final tranche of selling from Switzerland which has now completed its 1,300 tonne sales programme. France, the Netherlands, Sweden and the European Central Bank also disposed of gold during the quarter. Outside the CBGA there was a 15 tonne reduction in holdings by the Philippines while the comparison with 2004 is also affected by the fact that there was no major purchase comparable to that by Argentina last year. With a maximum of only 154 tonnes remaining to be sold under the CBGA between April 1st and September 26th, net central bank selling should be considerably lower in Q2 and Q3.

CONSUMER DEMAND TRENDS IN INDIVIDUAL COUNTRIES

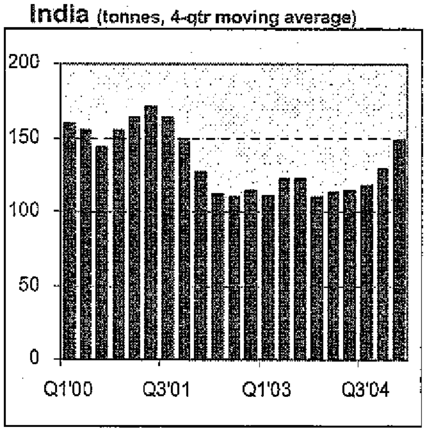
India

Gold demand in India was exceptionally strong in Q1. Jewellery demand was 72% above year-earlier levels in tonnage terms while net retail investment more than doubled. There is firm evidence, confirmed by additional information from independent sources, that imports into the country were in fact even higher but it appears that the favourable price movements in Q1, and the imminent imposition of a Value Added Tax regime from April, encouraged inventory building on the part of retailers so an adjustment has been made for this in calculating consumption.

A combination of factors caused this very high level of demand. First, there is strong evidence from market research that the much higher level of gold jewellery promotion and the WGC's *Speak Gold* campaign have made a distinct improvement to the propensity to buy gold among urban consumers. Second, the economy was strong. Third, agricultural prices for key crops were high which, together with a good winter harvest, offset the impact of last year's poorer summer harvest (following the patchy monsoon) on rural incomes. Fourth, the pattern of price movements gave an additional boost to demand in Q1.

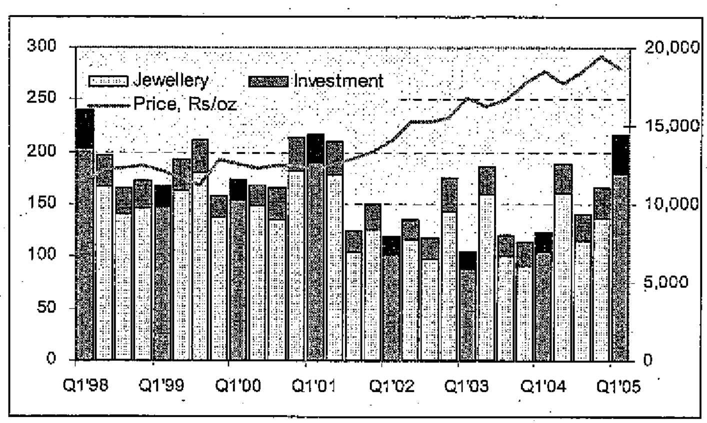
Chart 2, which is a 4-qtr moving average of total consumer demand to iron out seasonal movements, shows the upward trend in offtake over the past year despite the rise in the rupee price. Chart 3 shows the price and demand quarter by quarter. It shows that throughout the period of rising prices which started in 2001, demand has risen whenever the price stabilised or dipped. Thus the strong performance in Q1 2005 is the result of a combination of a temporary positive impetus driven by price movements on top of what was already a clear upward trend.

Chart 2: Gold demand in India (tonnes, 4-qtr moving average)



Source: WGC calculations based on GFMS data.

Chart 3: Gold demand (tonnes) and rupee price in India



Source: GFMS Ltd.

Embargo – not for release before June 1st, 07.00 hrs New York Time

Table 4: Consumer demand in selected countries

	2004			Q1'04	Q1'05			*% change over year earlier*		
Tonnes	jewellery	net retail investment	total	total	jewellery	net retail investment	total	*jewellery*	*net retail investment*	*total*
India	517.5	100.2	617.7	122.7	179.8	36.5	216.3	*71.6*	*103.9*	*76.4*
Greater China	258.7	12.2	270.9	71.0	76.1	4.9	81.0	*13.1*	*32.0*	*14.1*
China	224.1	9.8	234.0	62.0	66.8	4.1	70.9	*13.2*	*35.8*	*14.3*
Hong Kong	13.8	1.2	15.0	3.8	3.7	0.3	4.0	*6.2*	*3.3*	*6.0*
Taiwan	20.7	1.2	21.9	5.2	5.6	0.5	6.1	*16.4*	*25.0*	*17.0*
Japan	34.6	67.0	101.6	24.0	8.8	17.0	25.8	*-0.8*	*12.2*	*7.4*
Indonesia	83.9	5.0	88.9	20.5	18.9	0.8	19.7	*0.9*	*-55.6*	*-4.0*
Vietnam	26.1	39.2	65.3	18.8	8.5	12.5	21.0	*16.1*	*8.7*	*11.6*
Saudi Arabia	136.2	5.2	141.3	33.8	35.4	1.9	37.3	*10.3*	*8.6*	*10.2*
Egypt	73.0	0.5	73.5	20.0	21.1	0.2	21.3	*6.5*	*0.0*	*6.5*
UAE	89.3	6.5	95.8	28.9	29.8	2.2	32.0	*10.8*	*10.0*	*10.7*
Other Gulf	44.6	4.9	49.6	13.1	12.2	1.3	13.5	*4.1*	*-9.9*	*2.6*
Turkey	189.6	48.6	238.1	59.2	54.7	21.7	76.4	*28.5*	*30.7*	*29.1*
USA	352.0	21.3	373.4	66.7	62.6	6.1	68.7	*2.8*	*4.7*	*3.0*
Italy[1]	76.9	...	76.9	12.1	11.5	...	11.5	*-5.5*	*...*	*-5.5*
UK[1]	70.2	...	70.2	10.5	8.9	...	8.9	*-15.2*	*...*	*-15.2*
Europe[2]	...	-22.7	-22.7	-8.1	...	-4.5	-4.5	*...*	*...*	*...*
Total inc. others[3]	2,610.3	342.4	2,952.7	658.9	687.9	100.5	788.4	*19.5*	*20.8*	*19.7*

Source GFMS Ltd

1. Jewellery only. 2. Net retail investment only. 3. Net retail investment for Q1'05 is for countries in table only.

Some additional factors also influenced demand in India in Q1. The number of bulk dealers and retail outlets appears to have increased. While demand was generally strong in the latter part of 2004, much of the South was an exception to this. But in Q1 the South too exhibited high levels of offtake in January and February albeit with some slowing in March. In Tamil Nadu there was, as already reported, a small boost to gold buying from those affected by the Tsunami who converted part of their relief payments into gold, considering that a secure way of holding the money until it could be used in reconstruction. Additionally it appears that the Tsunami also prompted some precautionary buying from those not affected.

Government plans for the uniform imposition of VAT from April 1 (which in practice have not been imposed in all states) led to some additional purchasing by retailers in March. Reports also suggest a slow-down in the purchase of diamonds indicating that consumer tastes were turning back to plainer gold jewellery.

2004 saw a stock market boom leading investors to look at alternative asset classes to invest their gains. With prices for property (along with gold a traditional alternative to equity investment) having also risen sharply, gold looked an attractive option.

The impact of stockbuilding by jewellery retailers and the exceptional purchases in Q1 are likely to lead to some compensatory fall-back in Q2. Indeed reports suggest that buying in April was slower. Nevertheless the underlying trend remains strong. Early reports suggest that gold jewellery buying was brisk in May and, in particular, that levels of buying in the key Akshaya Thrithya festival in southern India surpassed even previous records.

Greater China

Consumer demand in **China** was 14% higher than a year earlier, Jewellery demand was 13% higher with both the traditional 24-carat *chuk kam* and the more modern K-gold (18 carat) enjoying strong increases. *Chuk kam*, to which there is a strong investment element, benefited from the increased desirability of gold following the price rise of the last three years; again the slight dip in the price was therefore seen as a good buying opportunity. The gold gifting market also benefited from good demand around the Chinese New Year while strong economic growth in 2004 boosted incomes in rural areas as well as in the cities to the benefit of all jewellery products, not just gold.

Demand for 18-carat K-gold also remained strong with no sign of the usual winter dip in purchases in either Q4 or Q1.

K-gold promotions for Valentines Day, a relatively new occasion in China, provided a further incentive to buying while suppliers are producing additional stylish pieces to meet demand.

Net retail investment was 36% higher in tonnage terms than a year earlier (albeit from a low level). Deregulation of the retail investment market is starting to have some impact on demand, although the full effect is not expected to materialise until the second half of the year given the time needed for marketing campaigns to be developed. Offtake in Q1 benefited from the poor performance of the Shanghai stock market and a perception that the property market is becoming over heated. There was good offtake also from the gifting market around Chinese New Year and from the Year of the Rooster commemorative bar.

Hong Kong saw a satisfactory start to the year with jewellery demand 6% higher than a year earlier in tonnage terms. Strong retail sales generally and a good tourist season helped to sustain demand.

Taiwanese demand was vibrant with jewellery offtake 16% and investment offtake 25% higher than in Q1 2004. Jewellery demand benefited from a good wedding season with demand augmented at the start of the Year of the Rooster by the fact that the previous year was traditionally considered inauspicious for weddings (the number of weddings fell by 23% in 2004). Valentines Day promotions by local brands also boosted demand. As elsewhere, investment was boosted by price trends with demand strong whenever the price fell towards $420/oz.

Other East Asia

January saw strong investment buying in **Japan** when the yen price dipped but the weaker yen of February and March caused a rise in the local gold price and saw investors retreat to the sidelines. Nevertheless offtake in Q1, at 17.0 tonnes, was still 12% higher than year-earlier levels.

The economic climate remains generally favourable for gold investment in Japan. There is an undercurrent of concern over the level of public debt and its inflationary implications, while the pensions crisis makes individuals keen to invest in assets which will preserve their value. On top of this April 1 saw the imposition of a 10 million yen (approximately $90,000) limit to insurance guarantees for all bank accounts in the event of bank failure (previously this had only applied to deposit accounts).

56% of household assets are held in bank accounts in Japan so even though the limit is not small it does potentially affect a large number of people. Currently there is no immediate concern over bank failure (as was the case in 2002 when the limit was applied to deposit accounts and the first quarter saw gold investment soar to 47 tonnes) but it is adding to the reasons for buying gold bars. Thus, while there is no sense of immediate urgency in investors' minds, gold is bought whenever the price dips.

In contrast jewellery demand in Japan remained stable. While consumer spending was strong in the first quarter, buyers remain cautious. Gold is a fashionable colour currently but with limited promotion gold jewellery is struggling to compete with other fashion items.

The depreciation of the rupiah against the dollar caused the gold price in **Indonesia** to rise, approaching levels last seen during the Asian economic crisis of 1997 and 1998. Nevertheless with a strong economy and a good level of retail sales generally, jewellery buying was marginally higher than a year earlier. In contrast, the high prices promoted selling by investors so net retail investment was less than half year-earlier levels. (The aftermath of the Tsunami had no noticeable impact on gold-buying in Indonesia.)

Q1 was another strong quarter in **Vietnam**. The combination of the fall in the gold price and a high local inflation rate maintained the attractiveness of gold as an investment; on some days in early February and late March, when the gold price was low, over one tonne a day was imported into the country. A strong real estate market (much property being priced in gold tael bars) added to the demand. Jewellery demand was brisk as well, both due to its investment element and to strong promotional campaigns.

Middle East and Turkey

A strong economy, rising tourist numbers and sharply increased promotional spending combined to raise consumer gold offtake in **the UAE** by 11% in tonnage terms compared to Q1 2004 with increases in both jewellery and investment in double figures. Offtake during the Dubai Shopping Festival rose 30% helped by a doubling in promotional spending on gold (which amounted to one sixth of all promotional spending during the Festival) compared to 2004. There was good interest in gold investments, helped by the use of coins in Festival events. With a strong economy prospects for the rest of the year remain good.

Total consumer offtake also rose by 3% in **other Gulf countries**. Jewellery was the main beneficiary here, in part due to additional outlets opened by major UAE companies.

Saudi Arabia also experienced a 10% increase in consumer demand, with the beneficial impact of high oil prices on the economy; there was also good offtake during the pilgrimage season. In addition a number of measures announced by the government in March should help to boost jewellery demand in the future. These were: a reduction in customs duty on imported jewellery from 12% to 5%; a relaxation of the Saudi-isation rules for jewellery shops which now allow one foreign worker per outlet; and permission for jewellery exhibitions to be held.

The recovery in gold demand continued in **Egypt** with particularly good demand from tourists. Some appreciation of the Egyptian pound against the dollar enabled prices to fall by more than the international price, helping both domestic and tourist spending.

The boom in **Turkish** demand, which started at the beginning of 2003, continued in Q1. Jewellery offtake rose to 54.7 tonnes, 28% higher than in Q1 2004 which was itself a first quarter record at the time. 2005 has seen new companies start to promote gold jewellery, both in conjunction with World Gold Council programmes and independently. The increase in investment (mainly coin) sales was even stronger, rising by 31%, with an unprecedented 9 tonnes sold in the month of March alone. It seems likely that price movements could have encouraged buying. The gold price in Turkish lira, like the dollar price, retreated in Q1 from the peaks seen in the fourth quarter of 2004 and consumers may have seen this as a buying opportunity during a longer-term bull market.

It is possible that part of the increase in Turkish jewellery and investment demand could be due to increased smuggling into Iran. This is currently under investigation but in any event would only have accounted for a small part of the increase.

Turkey is not just enjoying a domestic boom in gold purchasing but also an export boom. Jewellery exports are thought to have been 26% higher (World Gold Council estimates) in Q1 than in Q1 2004. Indeed in January Turkish imports into the US exceeded those from Italy for the first time although Italian dominance was reasserted in February and March. The March jewellery fair in Istanbul saw around 5,000 buyers attending, up from around 3,500 in 2004. The "luggage trade" (jewellery bought legally from retailers in Turkey and smuggled into other countries) has also seen growth with new markets in North Africa and Iran.

United States and Europe

A 3% increase in tonnage terms in jewellery demand in the US, compared with the first quarter of 2004 can be considered a satisfactory result given the economic background. While retail sales and consumer spending remain in positive growth territory, consumer confidence has been slipping since the end of 2004 and much consumer spending remains supported by a reduction in saving and an increase in debt. The 3% increase was also achieved despite the fact that January saw price increases by a number of manufacturers and retailers reflecting the rise in the gold price. Increased promotion and the success of the *Speak Gold* campaign constituted a major reason for the increase in spite of the adverse economic background; market research findings suggest a small but clear shift in consumer preferences in favour of gold jewellery. The high

price of platinum and a fashion shift towards yellow gold also contributed.

While there is some uncertainty over the outlook for the US economy, a continued rise in consumer spending generally and sustained promotion should give support to the market.

Net retail investment in the US was 5% higher than a year earlier.

In contrast to the rest of the world, trends in Europe remained dull. Offtake continued to fall in **Italy** with poor economic conditions resulting in consumer spending cutbacks even on basic staples; thus the climate for luxury goods remained heavily adverse. As a result gold jewellery demand fell by 6% compared to a year earlier. Meanwhile Italian manufacturers continue to battle for export markets against lower-cost manufacturing countries.

Nevertheless, against the gloomy overall picture, the more innovative and stylish pieces are continuing to sell well in both the domestic and export markets. There continues therefore to be a "two-trend" market with a distinction between those pieces with better and more fashionable design and the more basic pieces which are bearing the brunt of the downturn.

A feature of demand in Q2 is likely to be increased sales of pieces with a religious motif. The media coverage of the death of Pope John Paul II and the election of Pope Benedict XVI have provoked a wave of interest in spiritual matters in Italy.

There was a sharp fall in offtake in Q1 in the UK, where the WGC does no gold promotion, with gold jewellery demand 15% below year-earlier levels. Retail sales growth in the UK in the first months of 2005 has been slow, consumer confidence has been slipping and concern over debt levels rising.

Once again the fall was concentrated in 9 carat gold – the biggest category in the UK. Hallmarking of 9 carat gold was 20% lower in fine gold terms than a year earlier. In contrast, hallmarking of 18 carat pieces was 2½% higher than a year earlier on a fine weight basis indicating that even thought trends for gold consumption as a whole are negative the high quality, more stylish end of the market continued to be robust.

Table 5: Historical data for gold demand

	Tonnes			$bn		
	Jewellery	Net retail investment	Industrial & dental	Jewellery	Net retail investment	Industrial & dental
1997	3,300	453	419	35.15	4.82	4.47
1998	3,176	263	394	30.03	2.49	3.72
1999	3,143	360	413	28.15	3.22	3.70
2000	3,209	165	452	28.80	1.48	4.06
2001	3,016	356	363	26.28	3.10	3.16
2002	2,667	339	358	26.55	3.38	3.56
2003	2,481	292	381	28.99	3.41	4.45
2004	2,610	342	411	34.34	4.50	5.41
Q1'03	532	67	93	6.02	0.76	1.05
Q2'03	613	67	98	6.84	0.74	1.09
Q3'03	592	67	94	6.91	0.79	1.09
Q4'03	744	90	97	9.35	1.14	1.22
Q1'04	576	83	101	7.56	1.09	1.32
Q2'04	637	86	109	8.06	1.09	1.38
Q3'04	609	77	102	7.86	1.00	1.31
Q4'04	788	96	100	10.99	1.34	1.39
Q1'05	688	101	100	9.45	1.38	1.37

Source: Tonnage data are from GFMS Ltd Value data are WGC calculations based on GFMS data. Detailed tonnage figures will be available on Bloomberg from June 6th or contact GFMS Ltd.

Notes and definitions

All statistics (except where specified) are in weights of fine gold.
Tonne = 1,000 kg or 32,151 troy oz of find gold.
Na = not available
... = not applicable

Mine production. Formal and informal output.

Net producer hedging. The change in the physical market impact of mining companies' gold loans, forwards and options positions.

Official sector sales. Gross sales less gross purchases by central banks and other official institutions. Swaps and the effect of delta hedging are excluded.

Old gold scrap. Gold sourced from old fabricated products which has been recovered and refined back into bars.

Jewellery. All newly-made carat jewellery and gold watches, whether plain gold or combined with other materials. It excludes second-hand jewellery, other metals plated with gold, coins and bars used as jewellery and purchases funded by the trading in of existing jewellery.

Retail investment. Individuals' purchases of coins and bars defined according to the standard adopted by the European Union for investment gold. Medallions of at least 99% purity, wires and lumps sold in small quantities are also included. In practice this includes the initial sale of many coins destined ultimately to be considered as numismatic rather than bullion. It excludes second hand coins and is measured as net purchases.

Consumer demand. The sum of jewellery and retail investment purchases for a country – ie the amount of gold acquired directly by individuals.

Industrial demand. The first transformation of raw gold into intermediate or final products destined for industrial use such as gold potassium cyanide, gold bonding wire, sputtering targets. This includes gold destined for plating jewellery.

Dental. The first transformation of raw gold into intermediate or final products destined for dental applications such as dental alloys.

Tourist purchases and "luggage trade". Purchases by foreign visitors which are normally for their own use or for gifts are included in demand in the country of purchase. Bulk purchases by foreign visitors ("luggage trade") which appear to be intended for resale in the visitors' country of origin or a third country are attributed to the country in which they are resold.

Revisions to data. All data may be subject to revision in the light of new information.

Historical data

Data covering a longer time period will be available on Bloomberg from June 6th; alternatively contact GFMS Ltd (+44 (0) 2074781777; gold@gfms.co.uk)..

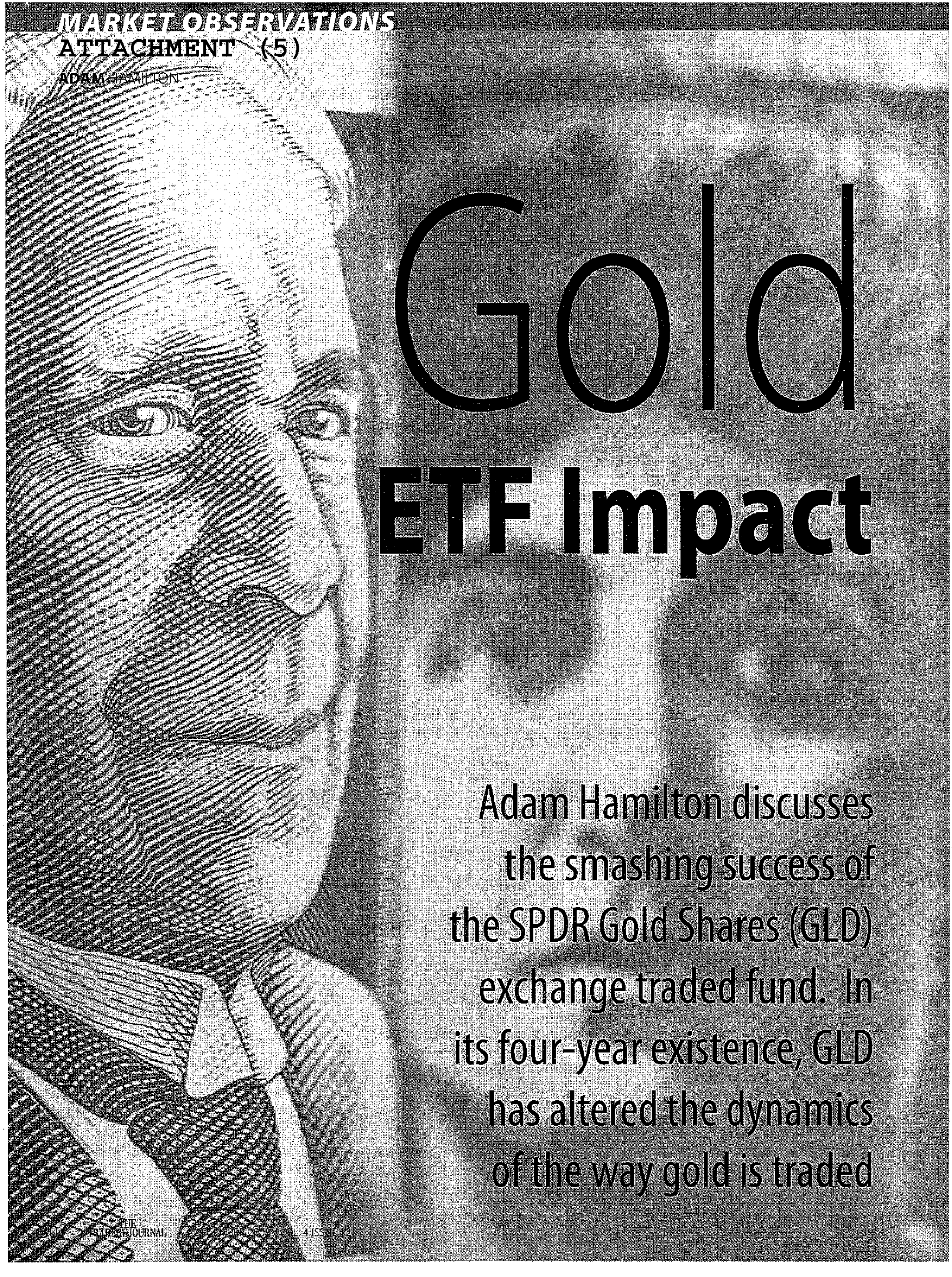
Sources, copyright and disclaimers

Issued by: The World Gold Council, 55 Old Broad Street, London EC2M 1RX. United Kingdom
Tel.+44.(0)20.7826.4700 Fax. +44.(0)20.7826.4799
For further information, contact: Jill Leyland, Economic Adviser to the World Gold Council, Tel: +44 (0) 2078264709 *or* +44 (0) 1689 813397. E-mail: jill.leyland@gold.org

ATTACHMENT 5

ATTACHMENT (5)

ADAM HAMILTON



Gold ETF Impact

Adam Hamilton discusses the smashing success of the SPDR Gold Shares (GLD) exchange traded fund. In its four-year existence, GLD has altered the dynamics of the way gold is traded

ATTACHMENT (5) (Continued)

In the midst of our seemingly endless slog through the dark sentiment wastelands plaguing the markets, we have a birthday to celebrate. Four years ago this week, a revolutionary exchange traded fund (ETF) was launched that forever changed trading dynamics within the global gold market. Known today as the SPDR Gold Shares, GLD has been *wildly* successful by any measure.

GLD's rise to fame has not been easy. While a few contrarians loved the idea of a gold exchange traded fund to broaden investor participation in this gold bull, many investors were very skeptical. Some were downright hostile. Although rehashing the obstacles GLD has faced is beyond the scope of this essay, I wrote about a gold ETF in 2002, before GLD hit the market. I also wrote about GLD itself in early 2006, late 2006, and late 2007. These past essays can still fill you in on GLD's history and dispel many myths surrounding it.

GLD has gone on to become not only a juggernaut in the gold world, but in the entire ETF world as well. This week, GLD was the 3rd largest ETF on the planet with $18 billion worth of net assets (physical gold bullion in its vaults)! Only the SPY S&P 500 ETF and the EFA large-cap foreign stocks ETF were larger. GLD is bigger than the famous QQQQ NASDAQ 100 ETF, the DIA Dow 30 ETF, the XLF S&P 500 financial stocks ETF and the XLE S&P 500 energy stocks ETF. GLD is huge!

In order to become the 3rd largest ETF in the United States out of a universe exceeding 800, GLD's custodians have had to execute on their mission exceedingly well. GLD is simply designed to track the price of gold. It grants stock traders an easy and efficient way to add gold exposure to their portfolios. As I have discussed extensively in my past GLD essays, it is not a substitute for physical gold coins as the foundation for a long-term investment portfolio. But it is not meant to be. It is for mainstream investors not well versed in gold and gold trading.

GLD's advantages to traders are legion. It can be bought and sold instantly in any standard stock account, for trivial stock-trading commissions. It can be shorted if a gold correction is expected. A high-volume and highly liquid GLD options market has also sprung up, providing more sophisticated traders with excellent tools to exploit projected gold moves via stock options. GLD is inarguably the easiest and quickest way to get gold exposure.

And GLD's contribution to this gold bull has been massive as well, driving the price of the metal higher for all gold investors whether they own GLD or not. It radically widened investor participation in this gold bull, creating a direct conduit for vast pools of stock market capital to chase gold. And chase gold it has. As of this week, GLD held an amazing 749 tonnes of physical gold bullion in trust for its investors!

This is a staggering amount of the yellow metal and difficult to understand without context. Traditionally, the largest gold bullion holders are the national central banks of the world – around 100 countries own gold bullion. If you put GLD in this list of elite central banks, it holds more gold today than all but 7! After it grows another 2.1%, GLD will overtake Japan to become the 7th largest gold holder on the planet.

Although GLD is massive in the world of gold, it remains very small relative to the financial markets. With its $18 billion market cap this week, 118 individual companies in the S&P 500 are *each* bigger than it. This is even more impressive considering these companies' market caps are being considered from severely depressed end-of-October levels. The top 20% of the S&P 500, the elite S&P 100 companies, collectively had a $5935 billion market cap at the end of last month. So, GLD has plenty of room to grow despite its current size.

By acting as a conduit between stock market capital and physical gold itself, GLD has really changed the dynamics of the world gold trade. There are many other gold ETFs around the world, but GLD has something like 85% of the total assets of all the world's gold ETFs. It is the only individual gold exchange traded fund that really matters. In this series of essays on GLD, I have been studying its ongoing market impact since its launch.

This first chart (Chart 1) plots GLD's holdings since its birth on November 18th, 2004. I like to compare GLD's gold bullion held in trust with the performance of the price of gold, slaved to the right axis. Not only is multiplying its initial holdings by 94.3x as of mid-October utterly remarkable, but the way these gold holdings have grown is fascinating. They have been far more stable than even GLD's most optimistic proponents including me originally expected at launch.

While GLD's holdings have contracted modestly from time to time, its strategic growth trajectory has been tremendously impressive. GLD's gold has climbed in a somewhat stair-stepped fashion. Of course when

ATTACHMENT (5) (Continued)

Chart 1

gold is surging in a powerful up leg of a bull market, interest in gold investment is high and GLD grows rapidly. Even when gold is not surging, GLD still tends to grow moderately on balance.

If you carefully examine every sharp correction suffered by gold in the chart, within them GLD's holdings really do not fall all that much on a percentage basis. I would have expected much larger declines during gold corrections when GLD was born. Also interesting is GLD's behavior during the grinding, sideways consolidations in gold that bleed away enthusiasm. It still exhibited moderate growth during these slow times. This performance is stellar. GLD is truly a rock star.

To understand why, consider how 'tracking ETFs' work. To match percentage moves in the price of its underlying asset, a tracking ETF has to see similar supply-and-demand pressures. But supply and demand for GLD shares from stock traders does not necessarily match that of gold futures from futures traders. In order for GLD to fulfill its mission, GLD's custodians must actively augment or retard GLD supply to ensure this ETF tracks its underlying asset's moves tightly. This balancing act is not easy.

If stock traders demand relatively more GLD than futures traders are buying gold, GLD's price will decouple from gold to the upside. GLD's custodians must vent this excess demand into the physical gold market in order to equalize the demand pressure differential. So when GLD demand exceeds gold demand, they issue new GLD shares and use the proceeds to buy physical gold bullion. This works simultaneously on two fronts. Increasing GLD share supply absorbs the outsized ETF buying pressure and then buying gold with the resulting stock market capital forces its price to rise more in line with GLD.

When you see GLD's bullion holdings rise in these charts, it means stock traders were buying GLD at a faster rate than futures traders were buying gold. And as you can see, outside of a few minor pullbacks, GLD's holdings have grown relentlessly. This means GLD is becoming more popular and stock traders are

Chart 2

buying it up at a faster rate than underlying gold demand. So, GLD must issue shares and buy gold to ensure this ETF keeps tracking gold closely.

Shunting stock market capital directly into gold is wonderful when ETF demand is expanding. It has served to accelerate this secular gold bull. But, it is a sharp double-edged sword to have massive pools of stock market capital with access to gold. If stock traders ever start selling GLD at a faster rate than gold futures selling, GLD will be forced to contract its holdings because if it does not, GLD will decouple from gold to the downside and fail its mission.

If excessive GLD shares are being dumped on the market and it is falling faster than gold, GLD's custodians *have* to buy back this excess supply. Where do they get the cash? By selling gold bullion. This works two ways as well. Selling physical gold forces stock market selling pressure on GLD into the physical market to equalize the differential. Then, using the resulting proceeds to buy back GLD shares neutralizes the excessive ETF selling pressure and keeps GLD tracking gold.

So when (not if) a big disproportionate sustained GLD sell-off happens in the future, it will lead to gold falling much faster and farther than it would have if stock market capital were not deployed in it. Personally, I am glad stock investors can get gold exposure via GLD. Upside and downside volatility is increased, but this is typical as secular bulls evolve. The higher a price goes the more capital gets interested in chasing it. The more capital flooding into a market, the more volatility it generates. Even without GLD, gold volatility would still gradually increase.

Rather impressively, we have not yet seen the massive unwinding of GLD positions that many gold investors understandably fear. GLD's holdings have grown steadily and relentlessly for 4 years running. This has happened through mighty up legs, wickedly fast and brutal corrections, and long grinding consolidations. As long as demand for GLD continues to grow faster than demand growth for gold itself, GLD will have to continue ramping up its vast holdings.

ATTACHMENT (5) (Continued)

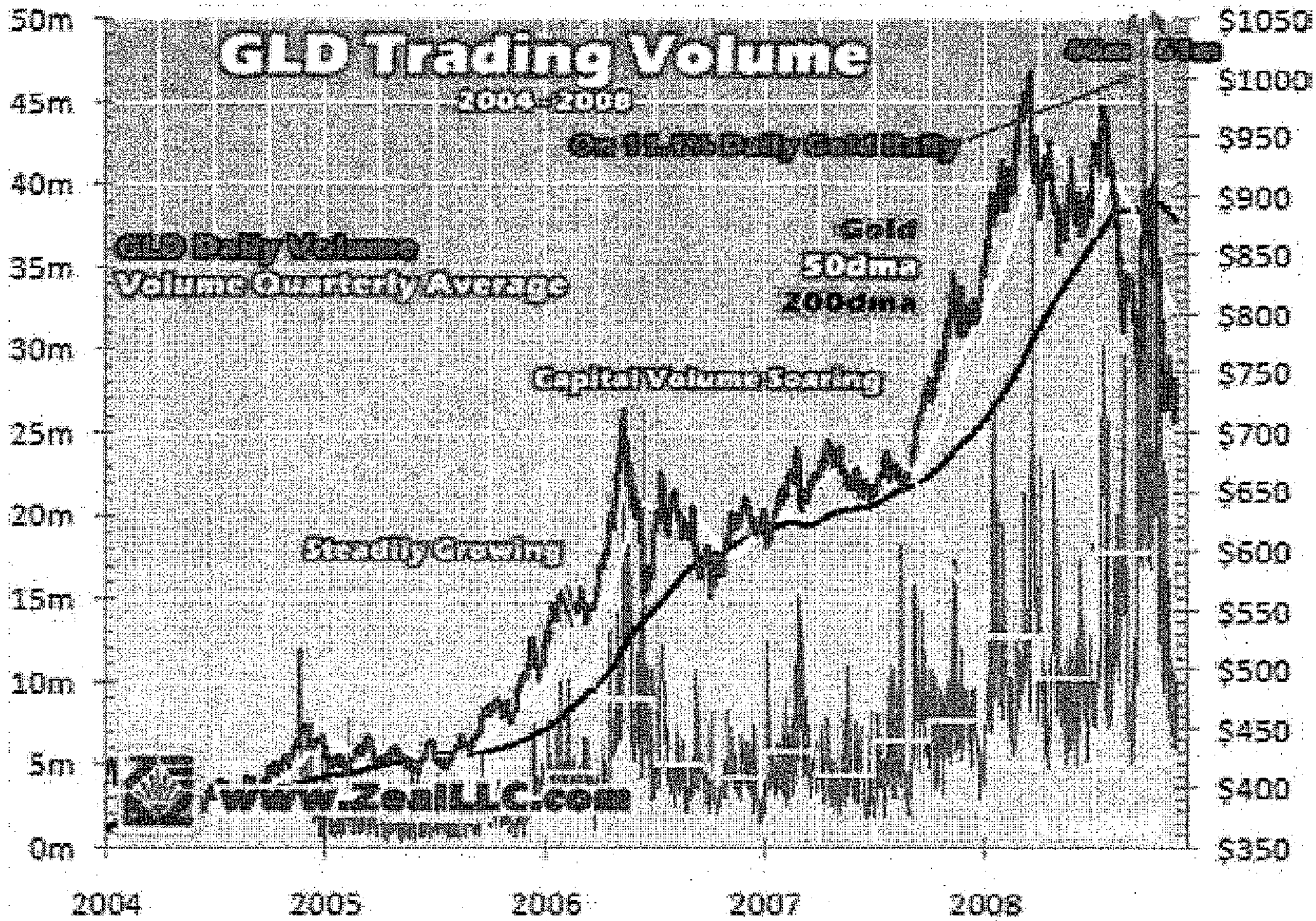


Chart 3

And with GLD's holdings running at just 0.2% of the market cap of the S&P 500 at the end of last month, there is a lot of room to grow. As more stock investors realize the importance of having some gold exposure in their portfolios, many will buy some GLD shares. At 1% of U.S. portfolios, GLD would have to grow to 5 times its size from here. This is not an aggressive or unrealistic expectation within a secular gold bull. At 3% of U.S. portfolios, it would have to expand by 15 times. This would make it the world's largest gold holder by far.

Many hardcore physical-gold-coin investors, including me, have long wondered how GLD owners' resolve would weather a severe correction in gold. Would they panic and dump GLD, exacerbating the decline in gold? Or, would they hold steady? Since GLD is such a trivial part of the aggregate portfolio of all U.S. investors, maybe it is just too inconsequential to bother selling. At any rate, this past year was a great test for GLD owners. The gold market was crushed, yet GLD still did not see disproportional selling. This chart (Chart 2) zooms in to show that fact.

When gold powered from around $750 in October 2007 to just over $1000 in mid-March 2008, it is no surprise that GLD's holdings grew. Everyone, especially non-contrarian mainstreamers, loves a hot investment. GLD's holdings grew to an all-time high of 664 metric tons. Gold prices cracked on a Fed rate cut surprise (75 basis points instead of the 100 basis points expected) in mid-March and plunged 15.3% by early May. Did this spook GLD owners? Darned right it did! Check out the sharp drop in GLD's holdings over this period.

Since GLD owners were selling at a faster rate than the futures guys were hitting gold itself, GLD's holdings fell 12.6% over this span. Having this giant ETF release 1/8th of its physical bullion into the market certainly exacerbated this correction. Interestingly, as soon as gold stabilized, so did GLD's holdings, which held near 600 tonnes until mid-June when gold started rallying again. Remember that as long as GLD's supply-and-demand trends match gold's, no changes in holdings are necessary.

ATTACHMENT (5) (Continued)

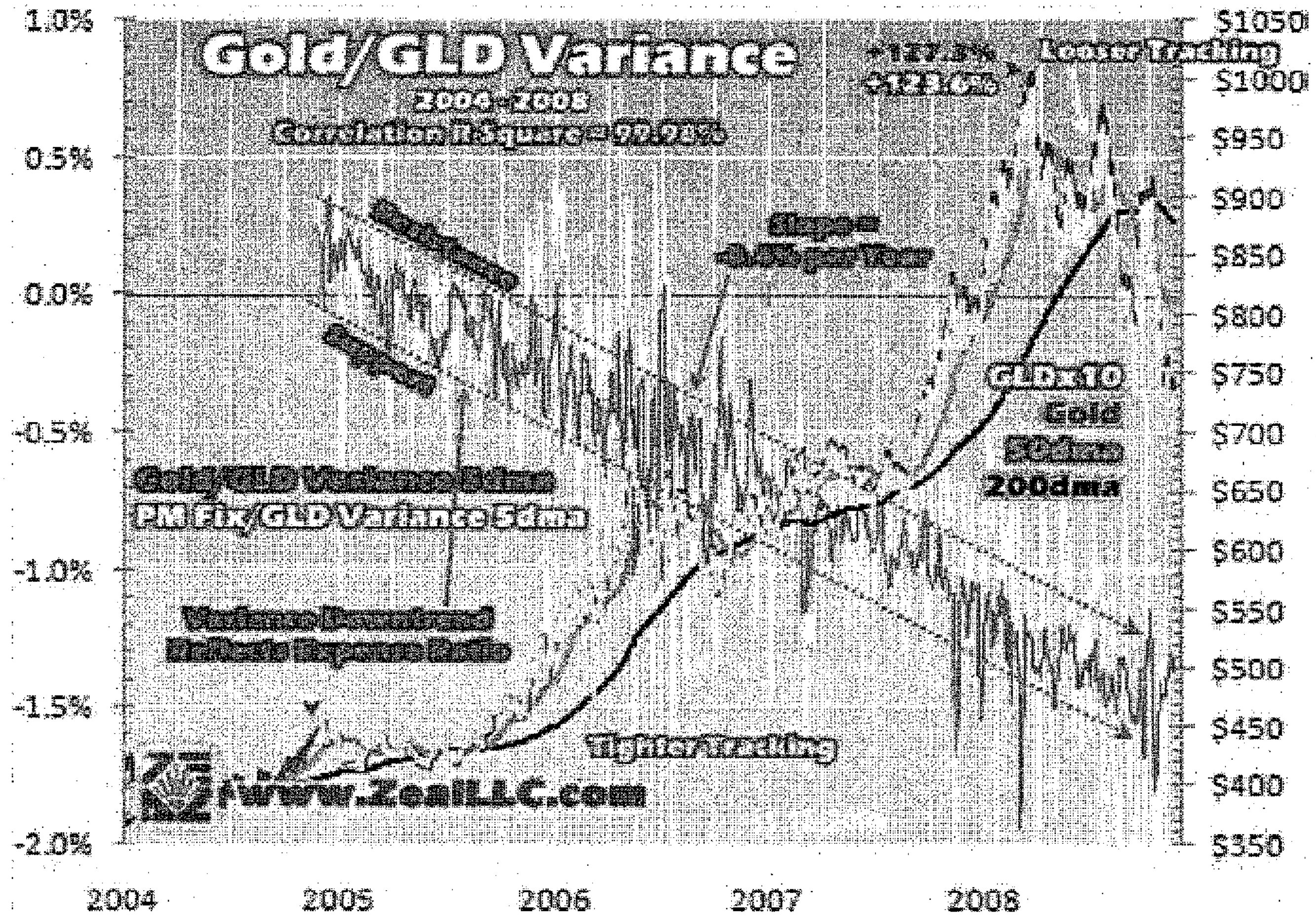


Chart 4

From mid-June to mid-July as Fannie Mae and Freddie Mac failed, gold powered 12.6% higher. Even though gold itself could not best its $1,005 per ounce mid-March high, GLD's holdings easily surged well above their March levels to new records. Over this same 5-week span, GLD's gold bullion held in trust soared by 17.5%! Stock traders were buying GLD faster than gold itself was rising, so the custodian shunted this excess demand into physical gold.

From mid-July to mid-September, gold took a massive 23.8% beating. It was brutal, the worst correction of this gold bull. If there was ever a time for the "weak hands" owning GLD to panic, this was it. While GLD selling was indeed excessive so its custodians had to sell gold bullion to buy back GLD shares to maintain tracking, GLD's holdings still only fell 12.5%. This is about half as much as gold fell, which is not too bad. GLD owners did not get as scared as I thought they would in such a massive gold correction.

Gold rallied strongly out of its mid-September lows. In fact, on September 17th it rocketed 11.1% higher on a single trading day! It was one of gold's biggest daily gains ever in percentage terms. This extraordinary move happened when the S&P 500 fell 4.7% driving *tremendous* interest into GLD. Stock investors flooded into it at a much faster rate than futures traders were buying gold. That day, GLD bought 36 tonnes of gold, growing its hoard by 5.9%!

In early October as the financial panic hit, gold got sucked into it. *Everything* was sold due to margin calls, forced fund redemptions, deleveraging and fear. Sadly gold was sold as well. I recently wrote an essay on this curious sell-off if you are interested. From early October until this week, gold has plummeted *another* 22.4%. If this did not terrify GLD owners, nothing will. We witnessed a once-in-a-generation financial-market panic and gold failed to soar as expected. Its selloff was a terribly depressing development.

But GLD owners did not panic. Their resolve was very impressive. At worst, GLD only had to shed 3.1% of

ATTACHMENT (5) (Continued)

its holdings during this steep gold selloff! Even as late as this week, GLD's bullion was still near 6-week lows and not far from its all-time high achieved in mid-October. If GLD investors were tough enough not to panic in 2008, a year of extraordinarily brutal and recurring gold selloffs, then I doubt they are a big threat in a more normal gold correction not driven by an exceedingly rare global financial panic.

What is the net result of all this? Gold itself has been in a miserable downtrend since mid-March. It even fell under support in August, September, October, and November. Even hardcore gold investors have had a tough time dealing with this psychologically. Yet, despite such a rotten price and sentiment environment, GLD's holdings have been *in an uptrend* this past year! Indeed GLD's holdings soared to new all-time highs twice *even after gold* had started correcting aggressively.

In recent weeks, GLD's holdings have been discussed in contrarian circles. If gold fell below a certain price, would GLD owners exit *en masse*? If they did, gold would plummet. GLD would have to shed gold fast to buy excessive GLD share supply. In a worst-case panic scenario, GLD could conceivably dump hundreds of tonnes of gold onto the markets in a matter of weeks. Some have likened it to a "rogue central bank" due to this dire potential.

Is this GLD-as-a-rogue-central-bank-like-selling-vehicle possible? Sure, anything is possible in the markets. But is it likely? Certainly not, if 2008's strong GLD holdings performance truly reflects GLD owners' resolve. And this makes sense. Despite GLD's large size relative to gold, it is trivial relative to stocks. An average mainstream investor owns so little GLD that it is not even worth worrying about for that particular investor. GLD owners passed 2008's tough tests with flying colors.

Another way I have watched GLD evolve over the years is through its trading volume. The more popular it gets, the more its volume grows. This is true both in terms of absolute share volume and capital volume. Capital volume is price multiplied by share volume. Trading 10 million shares of GLD in the $40s is not the same as trading 10 million shares of GLD in the $80s. Traders' interest in and usage of GLD is soaring.

In addition to the raw daily GLD share volume in red, this time I added a quarterly average volume line in yellow. This yellow line distills out a lot of the random noise and shows the steady growth of absolute daily volume in GLD. Interestingly, it even continued growing on balance in Quarter 2 and Quarter 3 2008 in the midst of gold's latest correction. Growing volume is a sign of a healthy bull capturing the attention of more and more traders. Of course, capital volume is growing even faster than share volume due to gold's higher prevailing prices over the lifespan of this ETF.

Provocatively, GLD had one giant volume spike that would not fit on this chart. On September 17th, it rocketed to 66 million shares and the next day it remained incredible at 61 million shares. As you can see, this is well beyond GLD's precedent. What drove this superspike? In past GLD essays, I have observed that big gold selloffs can lead to outsized GLD volume spikes. Gold plunges on a given day, GLD traders get scared, and sell aggressively.

But in mid-September 2008, it was a monster *rally* that drove GLD volume rather than a sell-off. That was the day that gold soared 11.1% in its biggest daily rally in 28 years. This offers another important glimpse into GLD owners' psyches. When gold soared, enough traders knew about GLD to buy it *aggressively*. This probably reflects a lot of latent interest in this gold bull among stock traders that is usually overlooked. GLD's custodians' performance in keeping GLD tracking gold through such a big and fast surge in demand has been very impressive.

This last chart explores the variance between gold and GLD. While it seems silly now after 4 years, back in the initial months of GLD's life, detractors warned it would fail in tracking gold. They thought no one could be nimble enough to actively shunt stock market capital into and out of gold fast enough to keep an ETF tracking this metal closely. Thankfully time has proven these fears unfounded, just like most of the other fears surrounding this unique trading vehicle.

Over its entire lifespan, GLD's daily correlation r-square with gold has run a staggering 99.98%! And yes, this is the r-square and not the raw correlation coefficient itself. It simply could not be any higher. From a stock trader's perspective, for all intents and purposes GLD's performance has been identical to gold's. It has fulfilled its mission of tracking gold's movements perfectly. GLD is a great trading proxy for gold itself.

Early on, GLD tracked gold's absolute levels more tightly than it does today. The yellow line above is the GLD price multiplied by 10, since each GLD share represents a tenth of an ounce of gold held in trust.

As you can see above, this yellow line is falling farther behind the blue gold line as GLD ages. This is totally normal and reflects GLD's expense ratio. All ETFs charge a small fee for their services, and in GLD's case the fee is 0.4% per year.

In return for providing the excellent trading vehicle that GLD has proven to be, its custodians have the right to earn a reasonable profit for their hard work. So, each year they sell 0.4% of the ETF's gold to cover their expenses and earn a profit. This management fee is evident in GLD's tracking of gold. The red downtrend above shows the 5-day moving average of GLD's daily variance to gold itself. Its generally tight downtrend proves GLD's custodians have been doing an excellent job in keeping GLD aligned with gold.

This variance downtrend is the direct result of that 0.4% expense ratio. If you go out one year after inception, the downtrend is centered near -0.4%. At 2 years, it is around -0.8%. Not only is 0.4% a year a very reasonable fee for running GLD, there have not been any surprises. Like all ETFs, GLD's net-asset value per share is shrinking slightly every year. But GLD is still deftly fulfilling its mission of tracking gold and providing easy and efficient access to gold exposure for stock market capital.

Whether GLD is something you own, want to own, or would not touch with a ten-foot pole because you favor other forms of gold, ultimately it has been very good for this gold bull. All gold investors, regardless of their investment preferences, want more capital to follow them into gold. We do not care where this capital comes from – we just want the buying pressure.. By creating a conduit between the stock market and physical gold, GLD has succeeded in radically broadening investor participation in just 4 years.

And as long as this secular gold bull remains intact, GLD should only help the gold market on balance. The financial panic has driven up investment demand for gold, as GLD's soaring holdings with a falling gold price vividly illustrate. And global mined gold supplies were already falling for years even before gold started correcting and the financial crisis hit. With gold miners' decimated stock prices and the insurmountable difficulties in getting debt and equity financing today, gold mined supplies' contraction will accelerate.

According to *Forbes*, the U.S. government alone is on the hook for $5 *trillion* in bailouts so far! The Federal Reserve will create uch of this bailout money out of thin air, and it will eventually filter into the real economy. When that happens, inflation is going to skyrocket. If you think GLD has been popular for the past 4 years, imagine how much more it will be over the next 4 if headline CPI inflation doubles or triples thanks to these asinine socialist bailout schemes? GLD should grow many times over from here.

At Zeal, we have long been strategic investors and speculators who are not swayed by irrational paranoia. Cold hard facts are all that matter, not the endless permutations of wild conspiracy theories. *Years before* any gold ETF existed, I wrote about how great it would be to broaden gold participation into the mainstream. And since GLD launched, I have fought the many myths used to scare investors away from this innovative trading vehicle. GLD has been great for this gold bull!

More than ever, investors and speculators need clear thinking and sound analysis untainted by the shrill emotions ruling the day. While the markets are illogical now, they will not be for long. Panics never persist, but they drive great once-in-a-lifetime bargains that shrewd investors and speculators can capitalize on. If you are tired of being ruled over or unduly influenced by the shifting tides of popular sentiment, join us today.

The bottom line is GLD has been a smashing success. By excelling in its mission of tracking gold and providing an easy and efficient way to grant gold exposure to mainstream stock investors, it has grown into the 3rd largest exchange traded fund on the planet. This is even more impressive considering the heavy skepticism and withering attacks on GLD launched from fringe factions within the traditionally pro-gold community.

Whether you or I would own GLD personally is irrelevant. The point is many non-traditional gold investors have flocked to GLD and this trend should only accelerate. Broader participation in this gold bull with more capital bidding up gold prices benefits all gold investors. As 2008 has shown, GLD owners are not anywhere near as skittish in a gold sell-off as many assumed they would be.

Adam Hamilton, CPA, writes for an acclaimed monthly newsletter, Zeal Intelligence, that details exactly what they are doing in terms of actual stock and options trading based on the lessons they have learned in their market research.

Adam can be reached at www. zealllc.com

ATTACHMENT 6

CommodityOnline

Last Updated :Aug 01, 17:59 IST

MCX Cardamom	NCDEX Castor Seed	NMCE Gold
838.5 (-6.9)	5250 (-22.5)	18453 (-69)

Last Updated : July 30, 2011 09:03

Print | Send

ETFs play key role in rising gold investment demand

COMMODITY PRICES | GOLD 23390(-130) | SILVER 58072(-833) | COPPER 443.9(+1) | CRUDE OIL 4382(+45)

By Allen Sykora

Exchange-traded funds have played a major role in heightening investment interest in the Gold market, says Deutsche Bank. "Investors now represent just over 40% of total gold demand," the bank says.

"No other commodity has such a high participation by investors relative to physical demand." An increasing share of this allocation from the investment community has been ETFs, the bank says.

"The popularity of physically backed Gold ETFs have also changed the relationship of the gold price to the U.S. dollar such that gold can now rally in both rising and falling U.S. dollar environments," Deutsche Bank adds.

India Rupee ends higher on positive local shares

NCDEX Oilseeds complex jump on festive demand

NCDEX Pepper dips on short selling

NCDEX Sugar edges lower on higher sales quotes data

By Allen Sykora of Kitco News; asykora@kitco.com

Tweet this Share this Stumble this Digg this Link this

Post your comment (0)

Connect: twitter facebook

Name Email Enter text as it is in the image

Post to Twitter Post to Facebook Cancel Post Comment

Commodity Outlook	Commodity News	Market Reports	Channels
Top Stories	Bullion	Commodity Pulse	Commodity Learning
Specials	Energy	Technical Analysis	XML/RSS
Columns	Metals	Trading Strategy	Daily Newsletters
Interviews	Cereals	Commodity Trends	News Widgets
Your Say	Oil & Oilseeds	Market Movers	Price Widgets
Global View	Fibers	Forex Reports	Question & Answers
Crops and Weather	Petrochemicals	Weekly Market Reports	Market Place
Mining News	Plantation	Astro Predictions	Indian Exchanges
Commodity Stocks	Pulses	Exchange Circulars	Global Exchanges
Commodity ETFs	Spices		Economic Calendar

Trade Online in Commodities Now!